Austria .... Sch. 18	Indonesia .. Rp 2500	Portugal .... Esc 80
Bahrain .... Din 0.650	Italy .... L 1200	S. Arabia .... Rls 6.00
Belgium .... BFr 38	Japan .... Y 550	Singapore .... S$ 4.10
Canada .... C$ 2.00	Jordan .... Fils 500	Spain .... Pta 100
Cyprus .... C£ 0.60	Kuwait .... Fils 500	Sri Lanka .... Rs 30
Denmark .... DKr 7.25	Lebanon .... L 6.00	Sweden .... SKr 6.50
Egypt .... E£ 1.00	Luxembourg .... LFr 38	Switzerland .... SFr 2.00
Finland .... Fmk 5.60	Malaysia .... Rgt 4.25	Taiwan .... NT$ 65
France .... FFr 6.00	Mexico .... Pes 200	Tunisia .... Din 0.600
Germany .... DM 2.20	Morocco .... Dh 6.00	Turkey .... L 180
Greece .... Dr 80	Netherlands .... Fl 2.50	U.A.E. .... Dh 6.50
Hong Kong .... HK$ 12	Norway .... NKr 6.00	U.S.A. $1.50
India .... Rup. 15	Philippines .... Pes. 20	

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,485 Tuesday November 27 1984 D 8523 B

Peru's debt burden breeds poverty and paralysis, Page 19

NEWS SUMMARY

GENERAL

U.S. and Iraq resume ties

The U.S. and Iraq agreed to resume diplomatic relations after a break of 17 years. This was announced after a meeting in Washington between President Ronald Reagan and Mr Tariq Aziz, Iraq's Deputy Prime Minister and Foreign Minister.

Iraq broke relations with the U.S. after the 1967 Middle East War in protest at U.S. support for Israel.

A senior Administration official stressed that the move did not represent a U.S. "tilt" towards Iraq in its long-running war with Iran and that U.S. policy remained one of strict neutrality. Page 20

Hijack deadline

Somali hijackers holding 108 passengers on an airliner said the Somali Government had until early this morning to release 20 "political prisoners" or they would destroy the aircraft.

U.S. overruled

The World Court in The Hague confirmed that it had jurisdiction over Nicaragua's complaint about military aggression against it by the U.S., upsetting Washington's hopes of overturning an earlier court ruling that it should cease such action. Page 6

Colorado victory

The centre-right Colorado Party claimed victory in Uruguay's first elections after 11 years of military rule. Page 6

Rebels cut power

Angolan rebels crippled power supplies to Luanda, the capital, for the second time in six weeks.

Italy tax protest

More than 1m of Italy's self-employed craftsmen and artisans went on strike in protest against proposed tax reforms. Page 2

Alfonsin wins

Argentine President Raul Alfonsin won a clear victory in the referendum on the proposed Beagle Channel treaty to end a border dispute with Chile. Page 6

Belgian bombing

An underground Belgian Marxist group said it blew up two communications masts outside an air force base near Liège.

Peace plan begins

Lebanon's new peace plan had a modest start as government troops strengthened their presence in Beirut unopposed by rival Christian and Moslem militias. Page 3

Shipyard protest

Spanish shipyard workers went on strike to protest against the shutdown and police occupation of the state-owned Astilleros Espanoles shipyard in Bilbao, ordered after weeks of violent clashes between workers and police. Page 2

Zimbabwe MP shot

Three gunmen chased Zapu opposition party MP Jini Ntuta for two miles and killed him in Bulawayo, Zimbabwe.

Separatist held

Convicted Quebec separatist bomber Raymond Villeneuve returned to Canada after 15 years in exile and was re-arrested.

Le Monde strike

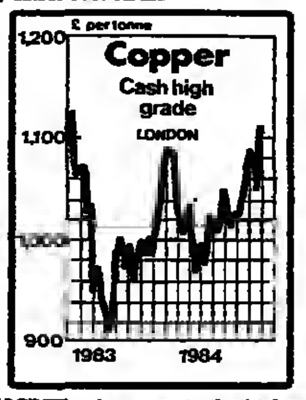
France's influential but financially troubled newspaper Le Monde did not appear because of a strike by administrative employees about plans to cut salaries. Page 2

BUSINESS

Texaco makes $765m charge

TEXACO, the U.S. oil major that acquired Getty Oil for $10.2bn, is making a $785m net charge in the current quarter to reflect the impact of declining oil prices on its assets in the industry. Page 20

WALL STREET: the Dow Jones industrial average closed down 7.95 at 1,212.35. Section III



COPPER prices rose to the highest levels for 15 months in London after a further decline in warehouse stocks and the fall in sterling. The higher grade cash price gained £3.5 to £1,112 a tonne. Page 42

DOLLAR rose in London to DM 3.0610 (DM 3.0290), FFr 9.3750 (FFr 9.2925), SwFr 2.5240 (SwFr 2.5010) and Y246.10 (Y245.20). On Bank of England figures, its trade-weighted index rose to 141.9 from 140.8. In New York it was DM 3.0585, SwFr 2.525, FFr 9.37 and Y245.85. Page 43

STERLING lost ground against the dollar in London, falling 1.8 cents to $1.2001. It also fell to DM 3.6775 (DM 3.6975), FFr 11.26 (FFr 11.3125), SwFr 3.03 (SwFr 3.05) and Y295.5 (Y299.0). Its exchange rate index fell 0.7 to 74.2. In New York it was $1.2130. Page 43

GOLD fell $4.50 to $337 on the London bullion market. It also fell in Frankfurt to $336.75 and in Zurich to $337.25. In New York the December Comex settlement was $331.50. Page 42

LONDON equities moved firmly ahead with the FT Industrial Ordinary index up 11.8 at 922.1 – just short of its all-time high. Government securities gave up some of their early gains in response to the weaker pound. Section III

TOKYO stocks fell back in an uncertain market environment and the Nikkei-Dow average shed 74.44 to 11,162.96. Section III

SWEDEN'S sale of $200m in short-term money market notes was more than nine times oversubscribed. Page 20

COLOMBIA'S biggest commercial bank is to refinance more than U.S.$500m of private sector foreign debt in a move seen as a prelude to further national borrowings abroad. Page 21

HOPEFUL investors have filed more than 1m applications for shares in British Telecom but up to one in three has been incorrectly made out. Page 20

INTERNATIONAL BANK supervisors are looking "urgently" at the risks that banks are assuming in business that does not appear on their balance sheets to determine how they affect bank capital, according to Mr Peter Cooke, head of banking supervision at the Bank of England.

TRW, the U.S. engineering and defence group, says it may seek acquisitions after its arrangement of a $750m, eight-year standby credit from a group of 18 banks. Page 44

GULF & WESTERN, the U.S. conglomerate, has agreed to take over the publishing group Prentice Hall for $71 a share, or a total of $705m. Page 21

WE REGRET New York Stock Exchange closing prices were not available this edition because of communications problems.

U.S. banks cut prime rates by a further ¼ point

BY WILLIAM HALL IN NEW YORK

FURTHER CUTS in U.S. prime rates within months were forecast yesterday as several leading banks trimmed the rate at which they lend to their best corporate borrowers by a quarter of a percentage point to 11.5 per cent.

The latest reduction in the U.S. prime rate was led by Citibank and by lunchtime yesterday several other large U.S. banks, including Mellon Bank and First Chicago, followed its lead. The cut in the prime – the fifth reduction since early September when prime rates were standing at 13 per cent – takes the key lending rate for U.S. businesses down to its lowest since early spring this year.

The reduction comes less than a week after the Federal Reserve cut its discount rate by half a percentage point to 8½ per cent in a move to head off a sharp slowdown in the U.S. economy which was materialised in the third quarter.

Until recently the Fed's main priority has been to curb inflation, but Mr Paul Volcker, its chairman, has acknowledged that a combination of a weaker economy, strong dollar and modest price increases "suggest you can accommodate greater growth in the money supply and you can have lower interest rates... without setting off renewed inflation."

Yesterday's prime rate cut was widely discounted and did not prevent the stock market easing. The Dow Jones industrial average closed down 7.95 at 1,212.35. In the money markets rates were largely unchanged and in New York most European currencies held their own against the dollar.

Several economists have been predicting in the last week that U.S. prime rates have further to fall before they begin to rise again. Mr John Wilson, Bank of America's chief economist, said the prime rate could fall as much as three quarters of a percentage point this week and might fall to about 10 per cent by mid-1985.

Mr David Wyss, Control Data's financial economist, said yesterday short-term interest rates were expected to fall another percentage point, with the prime reaching 11 per cent by early next year.

Since September, when U.S. money market rates started falling, three-month rates have fallen about 200 points, while prime rates are down about 150 basis points.

After the latest reduction, Mr Wyss says prime rates are not much out of line with short-term money rates at present levels. He believes the Fed will be watching the Christmas retail sales closely to see if it needs to ease its monetary policy further at next month's Federal Open Market Committee meeting.

Reginald Dale, in Washington, adds: The White House immediately welcomed the latest prime rate cuts, saying they indicated a "promising course" for the attainment of the Administration's target of 4 per cent economic growth next year.

Mr Larry Speakes, the White House spokesman, said that after last Wednesday's cut in the Fed's discount rate from 9 to 8.5 per cent, further falls appeared possible in interest rates.

Although the economy had slowed in the third quarter, the White House expected the decline in interest rates to restore moderate growth in subsequent quarters.

Continued on Page 20

Lex, Page 20; money markets, Page 43; stock markets, Section III

Tenneco pays $430m for Intl. Harvester unit

BY TERRY DODSWORTH IN NEW YORK AND IAN RODGER IN LONDON

INTERNATIONAL HARVESTER (IH), of the U.S. yesterday announced the sale of its beleaguered farm equipment division to Tenneco in a $430m deal that should significantly streamline the overcrowded industry.

Tenneco, a diversified U.S. energy and manufacturing group, already owns J. I. Case, a leading tractor maker. The combined U.S. tractor market shares of Case and IH would be about 30 per cent, very close to that of Deere and Co., the market leader. Case and IH also have about 12 per cent of the European market between them.

The transaction, made up of $260m in cash and $170m in Tenneco preference stock, would end a five-year struggle by IH to revitalise its 151-year-old farm machinery interests, leaving it to concentrate on its profitable heavy truck and engine manufacturing businesses.

In the year to October 31 1983, the company had an operating profit of $152m from truck sales, but a loss in farm equipment of $176m. Its farm equipment losses were thought to be at a similar level in 1983-84.

Tenneco will take over virtually all of IH's remaining farm equipment plants in the U.S. plus IH's British plant and integrate operations with J. I. Case.

Tenneco has also agreed to buy the IH plants in France and West Germany, subject to completion of studies and satisfactory arrangements with private lenders and government authorities. The French Government has been deeply involved recently in refinancing IH France.

One big exclusion from the deal is IH's big tractor plant at Rock Island, Illinois, which is to be closed. Mr James Ketelsen, chairman of Tenneco and a former president of Case, said that unit costs would be reduced by consolidating the operations of the two companies.

He estimated that the phasing out of the Rock Island plant would reduce the U.S. industry's tractor capacity by between 30 per cent and 40 per cent.

At a press conference in Chicago yesterday, Mr Donald Lennox, chairman of IH, said that the sale would result in a substantial one-time expense but was expected to permit the company's continuing operations "to return immediately to profitability."

The initial market reaction to the agreement, which followed a week of intensifying speculation, was to mark down shares in both companies. IH shares, which rose about $1 last week, fell by $0.50 to $7.75, while Tenneco's dropped by $0.625 to $34.

Analysts in the agricultural equipment industry are broadly

Continued on Page 20

Chase Manhattan takes stake in two British stockbrokers

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

CHASE MANHATTAN, the third largest U.S. bank, is to acquire two London stockbroking firms Laurie, Milbank and Simon & Coates, and form a securities group.

The cost of the deal, one of the more complex attempted in the City of London revolution, is not being disclosed. Chase, however, will become a minority partner in the two firms, and will buy them out completely once London Stock Exchange regulations permit, probably in 1986.

Mr Anthony Terraciano, Chase's chief financial officer and chairman of its capital markets group, said his bank wants to become a big worldwide investment bank with a presence in all the leading financial centres. "Being a significant competitor in the London market is crucial to that strategy," he said.

The combined group will apply to become a primary dealer in the new-style gilt-edged market being devised by the Bank of England.

Mr Terraciano dismissed suggestions that Chase would have preferred to buy a single large stockbroker. He said his bank had been interested in both firms for some time, and considered them to have complementary strengths.

Laurie, Milbank is one of the largest brokers in the gilts market. Its money broking business will not be acquired by Chase but will be established independently to avoid possible conflicts of interest. Simon & Coates is best known for its equities and corporate bond business.

Mr Terraciano said Chase's exact stake in each firm has yet to be decided but it might not be the same for tax and other technical reasons. The day-to-day management of the two firms will remain unchanged at the beginning; the long-term strategy will be decided later.

The extent to which the firms will be merged and lose their individual identities has not been decided either. Chase's compensation to the firms' partners has not been revealed, but it includes payments to discourage them from leaving.

Mr Terraciano said Chase had devised its investment banking strategy in 1983 and would be able to provide whatever capital its UK securities venture required.

John Moore, in London, writes: according to a recent survey, Simon & Coates and Laurie, Milbank are ranked 18th and 22nd respectively in the stockbrokers' league based on market shares of commission income. Laurie, Milbank has a more commanding share of the market in British Government stocks, ranking 12th against Simon & Coates, which is placed 17th. In UK equities dealings Laurie, Milbank is ranked well outside the first 20 brokers.

Lex, Page 20; Men and Matters, Page 18

Mitterrand visit to Syria is upset and upstaged

By Paul Betts in Damascus

PRESIDENT François Mitterrand of France was embarrassingly upset yesterday on a state visit to Syria by a threatened press boycott and dramatically upstaged by the surprise return home of Rifaat Al Assad, the controversial brother of the Syrian head of state.

Having been enraged on Sunday evening by a five-hour wrangle with Syrian customs and security officials, French journalists threatened to abandon coverage of the entire visit yesterday after censorship had been imposed on a report by one of France's senior television journalists of Rifaat's homecoming.

At a time when M Mitterrand's popularity is at an all-time low, yesterday's events provide further useful ammunition for his domestic political opponents. He has recently been criticised for being allegedly duped by Col Gadaffi of Libya over the troop withdrawal agreement in Chad.

Even a visit to Alsace went badly last week when all but two of the region's mayors refused to meet the President while memories have only just faded of the dog "sniffer" affair which clouded his state visit to London in October.

The return of Rifaat from what many observers regarded as unofficial exile and the arrival of M Mitterrand were clearly not coincidental in the opinion of Western diplomats in Damascus. They believe that with or without the full assent of President Hafez al Assad of Syria, the state visit might have been used as a smokescreen for his brother returning.

He was greeted with volleys of machinegun fire and an exuberant welcome by his supporters, which was just as impressive to foreign observers as the formal 21-gun salute accorded to M Mitterrand.

Rifaat, already commander of the Defence Brigades, the elite guard of the regime, was appointed in February this year as the second ranking of three vice-presidents. He had left the country early in summer.

His departure, al though never officially explained, was generally attributed to the show of force by units under his command around Damascus, which appeared to be aimed at establishing his claim to succeed his elder brother, Hafez, President of Syria since 1970, who is known to have suffered serious heart trouble early this year.

The French television network Antenne 2 had its coverage of the row with the Syrian authorities on Sunday night and the salutation given to Rifaat censored.

Soviets seek UK tenders on £1bn deals

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN GENEVA

BRITISH companies have been asked to quote for two big turnkey contracts in the Soviet Union, together worth well over £1bn ($1.2bn) and among the largest ever tendered to foreign companies.

One of the projects, for which Imperial Chemical Industries (ICI), the UK chemicals group, and Davy McKee, the iron and steelworks contractor, have been approached by the Soviets, is a large complex for producing polyester fibre in a development area at Ufa in western Siberia.

Mr A. I. Petrov, deputy general director of the foreign trade organisation Techmashimport, said ICI had already indicated it was ready to license its technology. ICI had been asked to nominate a British contractor and had suggested Davy.

He also indicated that British companies would be asked to tender for a plant in the Caucasus for producing plastic film, "paper" and other consumer goods. John Brown, another big British contractor with Soviet experience, is understood to be bidding for this contract.

West German and Japanese companies may be offering their rival technologies for the polyester plant, but the ICI-Davy partnership is said to be the Soviets' first choice at present.

The first approach was made at a meeting in Moscow earlier this month. The Soviet inquiry coincided with celebrations to mark the completion of two methanol plants – among the biggest in the world – which were built by Davy for a process using ICI technology.

The U.S. hinted last night that it might withhold its contribution to the General Agreement on Tariffs and Trade (Gatt) – just over 14 per cent of the total budget of about SwFr 50m ($6m) – unless there is agreement this week on trade issues it is trying to get on to the agenda. Earlier story, Page 6

One of the most interesting points about the new project, however, is that they are being offered on a turnkey basis. This is a departure for the Soviet Union, which for many years past has insisted on joint ventures. The only other Western company to have been awarded a turnkey contract in recent years is Voest Alpine of Austria, which put up a steel mill in Byelorussia.

Precise estimates of the cost of the polyester project, which is to produce intermediate and production grade fibres for the Soviet textile industry, are impossible to make according to both Soviet and British managers. Figures ranging from £500m to over £1bn are being suggested for this single complex, however. The cost of the other project is not known.

Mr Peter Benson, chairman of Davy Corporation, confirmed yesterday that the company was looking at the Soviet inquiry, which was handed to him in Moscow. Davy managers have already left for the Soviet Union in search of further details.

Record EEC fines on chemical companies

BY CARLA RAPOPORT IN LONDON

THE HIGHEST fines ever imposed in an EEC competition case were levied yesterday against five European chemical companies for operating a "long-standing cartel" in hydrogen peroxide and its derivative products.

After more than 3½ years of investigation, the Commission yesterday imposed fines totalling Ecu 9m ($6.6m) on Degussa of West Germany, Solvay of Belgium, Laporte of the UK, L'Air Liquide and Produits Chemiques Ugine Kuhlman (part of Atochem) of France.

Currently a Ecu 250m a year market, hydrogen peroxide is used for bleaching purposes and in chemical synthesis. The Commission charged yesterday that the five companies were guilty of the "classic" type of anti-trust violations

Relying on information taken during unannounced raids on the companies in late 1980 and information received since, the Commission said yesterday that the five producers operated a "home market" agreement in which each producer restricted its sales of hydrogen peroxide and derivatives to a certain number of national markets within the EEC.

EEC entry talks, Page 2; Saudi dumping pledge, Page 6; aid benefits small companies, Page 10

CONTENTS

EUROPEAN NEWS

World interest rates will stay high, says Commerzbank chief

BY JONATHAN CARR IN FRANKFURT

WORLD interest rates will stay relatively high for most of this decade because of a continuing U.S. need to attract huge capital imports, according to one of West Germany's top bankers.

Dr Walter Seipp, chief executive of Commerzbank, stressed at a press conference it was unlikely the U.S. current account would be out of the red much before 1990.

As a result the U.S. would become the world's biggest debtor nation as it imported the funds required to cover its deficit, Dr Seipp noted.

He estimated that between 1984 and 1990 the U.S. would need to suck in at least $300bn and perhaps as much as $500bn. Besides relatively high interest rates generally, this also threatened to bring a collision with the capital needs of other nations.

Dr Seipp noted that this was not only a danger for Europe, which would probably have a growing need for long-term investment capital against a background of low (recession-induced) personal savings.

It was also a potential threat for those developing countries whose debt problems had eased and which could consider becoming net importers of capital again.

Dr Seipp also warned that U.S. efforts to cut its visible trade deficit, likely to total around $130bn this year, could face Europe with problems of a different kind.

The Commerzbank chief said that if the U.S. was able to pull its trade balance back in the black in coming years, then more than half the improvement might be at the expense of Europe's exporters.

This was because of the growing competitive strength of the East Asian countries—notably South Korea, Taiwan, Hong Kong and Singapore—Dr Seipp said.

Despite these broader problems, Dr Seipp felt West Germany's economy could grow by up to 3 per cent in real terms next year, with inflation of around 2 per cent.

Italian tax evasion Bill sparks one-day strike

BY JAMES BUXTON IN ROME

HUNDREDS OF thousands of self-employed workers all over Italy went on a one-day strike yesterday to protest against the Government's fiercely contested bill to cut down on tax evasion.

The strike, which meant that many workshops and businesses kept their shutters down all day, came as the gruelling parliamentary battle over the Bill reached a new climax, with the start of a three-day session in the Senate, which the Government hopes will end with the Bill's approval there.

The tax Bill has already provoked a one-day strike against it by shopkeepers and a half-day strike in its favour by the trade unions and has created serious ruptures in the ruling five-party coalition Government of Sig Bettino Craxi, which only with great difficulty have been patched up.

To avoid further problems, the Cabinet will today discuss the possibility of linking the measure to a vote of confidence in the Government as a whole. But even after approval by the Senate, the Bill will still have to be passed by the Chamber of Deputies, the lower house.

The measure is potentially the most important legislation the 15 months' old Government has introduced. Shopkeepers fear that it could put many of the country's plethora of small shops out of business and the Government has been warned that it could severely affect the submerged economy, one of Italy's most productive sectors.

Among the most controversial clauses of the Bill is one which allows the taxman to assess a business's profits on the basis of its turnover. Another would greatly restrict the practice whereby family businesses split their income for tax purposes among several family members, all of whom thus remain in low tax brackets.

Sig Craxi now wants to get the Bill passed by both houses of parliament by the end of the year, so that the new procedures can come into force next year and raise L10,000bn (£4.35bn).

But in the Senate, some 1,200 amendments to the Bill have been put down by the right-wing Italian Social Movement, while the Christian Democrats, Social Democrats and Liberals—all members of the Government—still have serious reservations about the Bill. Even the Opposition Communist Party, which might be expected to favour a more equal spreading of the tax burden, is hesitant about assisting the Government on this issue.

On Saturday, discussion of the Bill in the Senate had to be suspended for lack of a quorum of senators—some "out of indifference," some "by design," as the Bill's proposer, Sig Bruno Visentini, the Minister of Finance, said publicly.

Bilbao shipyard takeover raises political heat

BY TOM BURNS IN MADRID

SHIPYARD WORKERS in Bilbao yesterday prepared for their daily street battle against the police, but this time with a difference. The police were inside the yard, the workers outside.

Police in armoured personnel carriers took over the Euskalduna shipyard, bastion of Basque trade unionism, on Sunday night, when only a couple of maintenance men were in the yard.

The takeover and lockout, decreed by the state-owned Astilleros Espanoles (AESA), have raised the political temperature by several degrees.

Last Friday, the "Euskalduna battle," which has been going on for nearly a month, claimed its first fatality, when a 53-year-old worker died of a heart attack, and another worker was injured after shooting from the security forces that represents the first evidence of potentially catastrophic police tactics.

The decision by the civil governor of Bilbao that the police should take over the yard was explained on the ground of prudence. In past weeks the police had hemmed the workers inside the yard to prevent them spreading their protest into the streets. Taking over the yard has in theory deprived the protestors of their assembly point.

It is likely, however, that the troubles in Euskalduna will increase in bitterness: at issue is the virtual closure of the plant. The Government's national plan to restructure the shipbuilding sector forces redundancies everywhere, but at the Bilbao yard they are drastic.

The present 3,000 Euskalduna labour force, according to the streamlining blueprint, will be reduced to 600 and the sole function of the yard will be ship repairing – something that appears at odds with the plant's small dock facilities and its upriver location.

The riots and clashes with police at Euskalduna to protest against lay-offs, similar to those that have taken place at threatened yards in Santander, Gijon and El Ferrol, further west along the Cantabrian coastline, have involved Basque nationalism. The riots have prompted more damage and caused more police presence than elsewhere. The Bilbao protest is also the most inflammatory of the whole sector.

The proposed cuts in Euskalduna have been opposed on economic grounds with the argument that less drastic lay-offs and a change of production lines to concentrate on ship's engines and on the plant's foundry would make the yard financially viable. The real point at issue is the charge levelled at the Madrid Government that Euskalduna has been singled out for special streamlining treatment in order to break the back of Basque trade unionism.

The police takeover of the plant will undoubtedly spur the extremists in the labour force to redouble their protests, and petrol bombs versus tear gas and stones versus rubber bullets will continue

Belgian PM's party calls for cruise delay

BRUSSELS — The Flemish Social Christian Party (CVP) of Mr Wilfried Martens, the Belgian Prime Minister, called yesterday for a delay in the deployment of U.S. cruise nuclear missiles in Belgium. The move could spark a government crisis.

Mr Frank Swaelen, the party president, said after a meeting of the CVP executive that in the light of the planned resumption of U.S.-Soviet arms control negotiations, the deployment planned for March should not take place at that date.

The CVP is the largest member of Mr Martens' four-party centre-right government, which has yet to give final approval to deployment.

Referring to the planned meeting in January between Mr George Shultz, the U.S. Secretary of State, and Soviet Foreign Minister Mr Andrei Gromyko, the CVP statement said: "We must give the new negotiations a chance. Therefore the CVP thinks that our Government, in its forthcoming evaluation of the situation, should not give a green light for deployment of cruise missiles in our country."

Noto officials said Belgium had privately assured its allies that it would go ahead on schedule. Hundreds of U.S. soldiers are already preparing the cruise base at Florennes, 50 miles south of Brussels.

A senior government official said he believed Mr Martens would defy his own party if necessary to respect Belgium's Nato commitment, noting that the other coalition parties supported deployment.

Political sources said the CVP was under pressure from the anti-nuclear Flemish Socialists. Reuter

Le Monde hit by strike as losses increase

By David Housego in Paris

THE DEEPENING financial crisis at Le Monde, France's leading daily newspaper, came to a head yesterday with a strike that prevented distribution of the paper.

The strike, called by unions representing the administrative staff at the paper, was over a proposal from M Andre Laurens, the Director and Editor-in-Chief, that they take a salary cut to help the paper through its economic problems. Representatives of the 400 administrative staff proposed a wage freeze instead but were told this would not be sufficient.

M Laurens is calling for a 10 per cent cut in Le Monde's wage bill, to be achieved either through reductions in wages or the shedding of staff. Anger mounted when the management threatened a temporary 14 per cent cutback in pay if no agreement was reached.

Printers at Le Monde agreed on Friday to a cut in staff by accepting that Le Monde's second printing press at Saint Denis on the outskirts of Paris should be mothballed. This will enable the paper to transmit its non-Paris editions by facsimile to the provinces.

The crisis at the paper has been brought about by losses that amounted to FFr 30m (£2.6m) last year and could increase further this year. Circulation has fallen by 30,000 to 360,000 in recent years.

The proposals, submitted in detail to all 1,300 staff of the paper have caused bitter divisions at Le Monde. Some journalists do not believe that the rationalisation is sufficiently drastic.

The editorial staff which holds 40 per cent of the shares in Le Monde, are due to give their verdict on the plan at a special meeting on December 3.

Oslo gas warning

Norway will seek to sell gas from its Sleipner field to the Continent, if the tentative deal with British Gas should fall through, Mr Kare Kristiansen, the Oil Minister, told a news conference yesterday, Fay Gjester reports from Oslo.

Chernenko tells Kinnock of missile offer

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union will remove and destroy nuclear missiles pointed at British equivalent in number to those removed by a future Labour Government, Soviet President Konstantin Chernenko told Mr Neil Kinnock, the Labour Party leader, yesterday.

Mr Chernenko said the Soviet Union was entering talks with the U.S. in Geneva in January without conditions. The aim was to make a fresh start. The Soviet leader told Mr Kinnock, who is at the end of a week-long visit to the Soviet Union, that he believed the U.S. was now prepared to adopt more realistic policies.

The offer to Britain on the bilateral reduction of nuclear forces spells out more clearly a policy originally put forward by Mr Yuri Andropov, the late Soviet president, at the end of 1982. It is the centrepiece of the Soviet response to the Labour Party policy of unilateral disarmament.

Mr Kinnock, who is accompanied by Mr Denis Healey, the shadow foreign secretary, said that what was new in President Chernenko's attitude was "a readiness to talk without conditions."

The Soviet Union is downplaying its previous determination not to talk about arms control until Cruise and Pershing II missiles are withdrawn from Western Europe. But diplomats in Moscow point out that all that has been agreed so far is for Mr Andrei Gromyko, the Soviet Foreign Minister and Mr George Shultz, the U.S. Secretary of State, to meet for talks about talks. Once substantive negotiations start Soviet preconditions on the withdrawal of Cruise and Pershing II missiles are likely to resurface.

Both the Soviet Union and the U.S. seem to have gone some way towards accepting the idea of putting negotiations under a single umbrella. The Soviet leaders now say that there is no reason to distinguish between intermediate and strategic missiles.

Mr Kinnock and Mr Healey were told that although the Soviet Union had no definite agenda for the Geneva talks they wanted to ensure that specific aims for the talks were adopted. The chief concern of the Kremlin has been to give priority to anti-satellite and anti-ballistic missile systems.

Mr Kinnock said that President Chernenko looked in good health during the one and three quarter hour meeting and Mr Andrei Gromyko was in an ebullient mood.

Rupert Cornwell reports on West Germany's problems in the fourth of a series

Apprenticeship schemes take the strain

Youth Unemployment in Europe

THE West German system of apprenticeship, boasting a tradition stretching back centuries and a contemporary organisation without equal in the industrial West, is today the country's main bulwark against the scourge of youth unemployment.

Thus far the signs are that even though the bulwark is audibly creacking under the unprecedented strains placed upon it, it has not yet buckled. Nowhere in the EEC has the proportion of young people among those without work been kept as low as in Germany.

Measured by the common international yardstick of people under 25, the German total of youth unemployed in June represented only 23.2 per cent of those on the dole. It sounds a great deal, but in both Britain and France the comparable figure topped 38 per cent, in Italy 48 per cent.

West Germany tends to concentrate on those under 20. In October the number of registered job-seekers in this category had dropped by over 28,000 in 12 months to stand at 158,541, equivalent to an unemployment rate of 7.5 per cent, less than the current overall jobless rate of 8.6 per cent.

One reason for this comparatively happy state of affairs the Government concedes, is the modest but steady economic recovery under way here.

During an upswing, says a senior official at the Labour Ministry in Bonn, "Young people tend to have a better chance relatively of finding a job. Employers like them, partly because it's easier to fire them if times change." But a far more potent factor behind West Germany's ability to contain youth unemployment is the established mechanism of job training—of *Ausbildung*.

It is a system which spreads to almost every nook and cranny of the economy, from chemical companies to hairdressers, from banks to garages. Today 431 trades are officially recognised as being covered by apprenticeships.

The process lasts between two and 3½ years, and embraces 1.7m school and university leavers. For that period they learn a skill, spending two days a week in a vocational school, but the majority of their time actually at the company or business which has given the apprenticeship. At the end of the day, the Government claims, some 80 per cent of them are offered a permanent job.

About 110,000 people joined the dole queues in European Community countries last month, raising unemployment levels to an all-time high of 12.8m, the Community's statistic agency Eurostat said yesterday, Reuter reports from Luxembourg. Eurostat said the rise could not be explained by purely seasonal factors, and that the underlying trend still appeared to be upwards.

The advantage for potential employers is that during the training period they pay the apprentices little: DM 565 (£161) per month for the first year, DM 648 for the second, and DM 744 for the third year.

However, even this system—held by some to contribute to the inflexibility said to hamper German industry, but by and large the envy of the country's competitors—is hard-put to cope with present conditions.

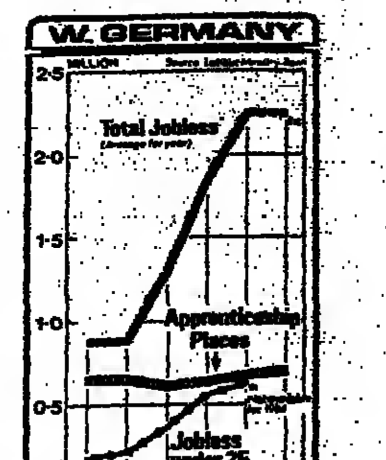
Quite simply there are not enough apprenticeships to go round. Spurred by fears about the chance of building an independent career, the number of applicants this year soared to 760,000, compared with 725,000 in 1983, and only 628,000 in 1981, when unemployment nationally stood at around 5 per cent.

The Government was only expecting between 715,000 and 735,000, and to cope with the flood, has been twisting the arm of employers to take on extra trainees, as well as launching its own smaller projects to create new places.

"It's a question," smiles the Labour Ministry official wryly, "of persuading companies to take a longer term view." Just how long term may perhaps be guessed from the fact that the alarming drop in the West German birthrate is not likely to show up in the numbers of *Auszubildende* until the end of this decade.

For their part the Federal Government and some of the state administrations have brought in supplementary measures. These range from extra help for handicapped or disadvantaged young people to steps to make shorter contract or part-time employment easier. All in all, some 700,000 apprenticeships are expected to be squeezed out of employers in 1984.

But that still leaves a gap of 60,000, not to mention the growing number of apprentices who after their three years' training are not offered a job. One palliative, the authorities are praying, will be the Government-backed early retirement scheme which became law earlier this year and which by some calculations will free 250,000 jobs for young people by 1988.



For the rest Bonn is trusting to its free market instincts and hoping that economic growth will lead to a gradual decline in unemployment. If it doesn't though further action will have to be taken.

The emotional issues in West Germany right now may be scandals and pollution of the environment. "But make no mistake," the official commented, "unemployment and especially youth unemployment, is still the biggest domestic political problem we've got."

No one suffers more than Turkish community

COSKUN UCAR can often be found in the *Türkischer Verein*, or Turkish community centre, close to Bad Godesberg railway station. He comes from Kirsebir, a town south of Ankara in central Anatolia. He is also without a job, and has little prospect of finding one.

Ucar is 20. Four years ago he arrived in West Germany to join his parents, convinced enough of a better future to leave behind in Turkey his three brothers and three sisters.

"For three and a half years I had work on and off," he recounts.

"The last job was in a nursery garden, but they kept on wanting me to work longer and longer hours, so I went." It was curiously suitable employment for Bad Godesberg, a place of diplomats, genteel stucco and somnolence that seems a thousand miles from the smokestacks of the Ruhr, with which the Turkish *Gastarbeiter* is conventionally associated. But even in Godesberg, there are 500 Turks.

And while the setting is different, the story is similar. If youth unemployment in Germany is a growing problem, no-one is suffering more than its 1.4m strong Turkish community, of which some 15 per cent is unemployed.

"West Germany is not a country of immigrants," Chancellor Helmut Kohl warned the other day—and more and more Turks are taking the hint.

This year, either in despair or prodded by seemingly generous repatriation incentives, 140,000 Turkish workers are expected to leave for home, for good. The exodus, if families are taken into account, too, could reduce the Turkish community by 300,000.

Would Ucar want to do that? He shrugs non-committally. The choice is not appealing. It means either going back to a country with unemployment double Germany's, or staying on precariously among foreigners mostly distant at best, at worst downright hostile.

But a friend who has been here for 13 years gives a clearer answer. "I just don't think I could adjust after all this time. People like me know next to nothing about Turkey; 90 per cent of what we know is about Germany."

Today, increasing numbers have to adjust. During the first year of unemployment, a worker in Germany gets 65 per cent of his previous salary. But after that, at least for a young Turk without a job, it goes down to DM 500 or so a month —"which hardly covers the rent and basic food."

What is more, it is getting harder than ever ("here 'immigrant' means Turk," complains another 22-year-old) gain the coveted trainee scheme places, which best offer a real future.

The Turks claim that there is a language discrimination against them; to which Germans retort that the Turkish community has to integrate itself better into the host country.

At job offices, Turks complain that citizens of EEC countries always seem to get unfair priority. "We find a vacancy and then go to apply for a work permit. They say the job must go to someone else, so we don't get the permit."

Or, as someone else, fortunately with a job, in the *Türkische Verein* noted bitterly, "they say, OK there's nothing here but there is in Cologne. But how do you pay to get there? If you haven't got work, it just gets worse and worse."

EEC fails to overcome deadlock on entry terms

BY IVO DAWNAY IN BRUSSELS

EEC Foreign Ministers yesterday resumed talks in Brussels in a last effort to agree a common position on terms for Spanish and Portuguese membership of the community before next week's heads of government summit in Dublin.

But within hours of the opening of the three day session, it was clear that there had been little progress so far on the key issues.

The main sticking points in the Community's internal talks centre on wine and fisheries. Member states accept that a programme for reforming the wine regime—now costing more than Ecu 1bn (£590m) yearly—must be agreed before provisions for Spanish winegrowers can be presented.

On fisheries, the wrangling continues over how to accommodate the large Spanish fleet. Most member states favour a minimum 10 year freeze on the status quo with a possible five-year extension, if, within the initial period, a full agreement with Spain is not reached. The Netherlands and Belgium are prepared to offer Spain a less rigorous eight-year freeze after which integration would go ahead.

Efforts by Dr Garret FitzGerald, the Irish Premier and President of the European Council, to cajole his colleagues into accepting compromises made little impact.

The deadlock has raised serious doubts over whether the target accession date of January 1, 1986, can be met.

Sr Fernando Moran, the Spanish Foreign Minister leading the talks for Madrid, is said to be resigned to the negotiations continuing into the new year. If they are not then rapidly concluded insufficent tim will rmain for EEC member states to ratify the terms of the treaty in national parliaments.

Ministers of the ten are due to meet delegations from Spain and Portugal today and tomorrow to present their proposals. Failure to offer comprehensive plans on at least some of the more controversial topics would be certain to provoke further accusations from the Spanish that the Community is not negotiating in good faith.

Creditors set to reschedule Yugoslav debt

GENEVA—Government representatives from 16 of Yugoslavia's creditor nations, meeting in Geneva yesterday, expressed a willingness to reschedule some of Yugoslavia's foreign debt, the Swiss Foreign Ministry said.

"Despite the positive (economic) results achieved in recent years, participants noted that . . . a partial consolidation of Yugoslavia's external debt may still be necessary for several years," the ministry said in a communique.

"They stood ready to convene the (debt consolidation group) to work out the initial stage of the debt restructuring which will come into effect when a satisfactory arrangement has been reached between Yugosalvia and the International Monetary Fund," it added.

The ministry did not give specific details about the amount of the debt that might be rescheduled or the time period involved.

The 16 nations are Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Great Britain, Italy, Japan, Kuwait, the Netherlands, Norway, Sweden, Switzerland and the U.S.

AP-DJ

Mintoff to hold talks with Soviet leader

Maltese Premier Mr Dom Mintoff is to visit Moscow for talks with Soviet President Konstantin Chernenko on December 17, Godfrey Grima reports from Valetta.

Last year Malta and the Soviet Union signed a $265m countertrade accord which stretches into 1986. This is now beginning t get off the ground and an announcement by Moscow awarding Malta Drydocks a major shipbuilding contract is expected this week.

Senior Malta Drydocks officials have been in Moscow for four months discussing the deal which covers the construction of eight vessels believed to be timber carriers.

Warsaw urged to resist economic centralisation

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S FAILURE to give greater play to market mechanisms is leading to a resurgance of the traditional centralised economic system, a report on the country's decentralising reforms has warned.

The report, by the officially recognised Consultative Economic Council (KRG), an autonomous advisory group, argues that the authorities should quickly do away with quite ineffectual attempts to control the movement of labour and cut back on the scale of tax relief and other financial concessions the Government has powers to grant.

These powers, the KRG argues, give the central administration as great a hold on the theoretically independent individual companies, as did the traditional centralised system. The KRG finds the present relief is going not to those sectors most worthy of support on economic criteria but to where industrial lobbies are the strongest.

It also argues that centrally funded capital projects, which take the lion's share of investment spending, must be reviewed, releasing funds for company investment, if there is to be any hope of changing the present inefficient structure of the economy.

It urges "greater daring" of the Government in facing up to its "prices allergy," and suggests that, wherever possible, rationing should be limited and prices brought up to the level where demand balances supply. The KRG, for example, says that from next year most food products, apart from meat, could be put on sale without rationing, with some price increases.

The council does admit, however, that shortages of labour and hard currency will persist for sometime yet.

Polish party activists have been warned that constant and sudden shifts in policy towards small scale private business lead to falls in production which "state owned industry is incapable of replacing."

Andreotti visit doubts

BY DAVID BUCHAN AND CHRISTOPHER BOBINSKI IN WARSAW

PLANNING FOR an expected visit to Poland next month by Sir Giulio Andreotti, the Italian Foreign Minister, has been complicated by Herr Hans Dietrich Genscher's sudden postponement of his trip here last week, Mr Jerzy Urban, the government spokesman, said yesterday.

The postponement came after differences about plans for Herr Genscher's visit, which showed that the Polish authorities are very sensitive to Western ministers recognising the Solidarity movement's continuing existence.

This could pose a problem for Sig Andreotti, unless he is ready to appear more accommodating to the Warsaw authorities than both Herr Genscher and Mr Malcolm Rifkind, the British Foreign Office minister, whose contacts with Solidarity drew official anger.

At the opening yesterday of an international journalists' gathering at Jablonna Castle outside Warsaw, Mr Stefan Olszowski, the Polish Foreign Minister, also said the next move in any improvement in Polish-German relations was clearly up to Bonn.

In his formal address to the Jablonna meeting, Mr Olszowski accused "influential forces" in West Germany who were "hostile to detente" of being responsible for the postponement.

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Third round of Cyprus negotiations seen as critical

BY ANDRIANA IERODIACONOU IN ATHENS

THE THIRD round of negotiations for a Cyprus settlement, which began yesterday in New York between the Greek and Turkish Cypriots, is billed to make or break the peace initiative for the divided island launched in September by Sr Javier Perez de Cuellar, the UN Secretary-General.

Two previous rounds of bargaining, with Sr de Cuellar acting as a go-between, have failed to produce a hoped-for summit meeting between Mr Spyros Kyprianou, the Cypriot President, and Mr Rauf Denktash, the Turkish Cypriot leader, to ratify a draft peace settlement for the island. According to UN officials, this round represents the last attempt to bring such a meeting about.

As the talks began yesterday, however, Western diplomats in Athens and Nicosia were discussing what will happen after their failure rather than anticipating their success.

The Turkish army occupied about 37 per cent of Cyprus when they invaded the island in the wake of a Greek coup against the Government of Archbishop Makarios in 1974, and the most Mr Denktash has been willing to give back so far in New York has been about 2 to 3 per cent of occupied territory.

The Turkish Cypriot leader was also said last week to be prepared to soften a demand for separate ethnic majorities in parliament on security issues, by suggesting a gradual phasing out of the requirement over time in a final Cyprus settlement.

This leaves a wide range of other issues which posed major stumbling blocks in rounds one and two unresolved.

- The presidency: the Turkish Cypriots have demanded, and the Greek Cypriots have rejected, that the presidency alternate between representatives of each community.
- Representation in parliament: Turkish Cypriots reportedly demanded 50-50 representation for both communities in the upper and lower chambers of a bi-cameral house. All legislation must pass before both chambers. The Greek Cypriots want representation to reflect more closely the 80 to 20 ethnic ratio on the island and want some legislation only to pass before both houses.
- Turkish troop withdrawal: the Greek Cypriots want full and immediate withdrawal of the Turkish occupation troops from the island on reaching a settlement. Mr Denktash has suggested that troop withdrawal begins when a settlement is reached but has set no fixed deadline for a complete pull-out.
- Freedom of movement, settlement and property ownership: the Greek Cypriots want a full restoration of these rights on the island. Mr Denktash has said that this would pose security and other practical problems for the Turkish Cypriots.

The two sides agree, however, that the general framework for a settlement should be that of a bi-zonal, federal republic, as agreed in Denktosh-Makarios and Denktash-Kyprianou summit meetings in the late 1970s.

OVERSEAS NEWS

Pakistan replaces development plan as revenues decline

BY MOHAMMAD AFTAB IN ISLAMABAD

THE PAKISTAN Government will launch a three-year rolling plan which will cost Rs 180bn (£10.1bn) and will replace the Government's development programme which was outlined in the current sixth five-year plan.

The rolling plan is being prepared in order to meet a Rs 30bn (£1.6bn) shortfall in expected government revenues during the sixth plan period covering July 1 1983 to June 30 1988. Pakistan is in the second year of the plan.

The rolling plan will take effect from next July 1. The changes will affect only government spending on the state sector, which will come down from the Rs 210bn projected in the original plan to Rs 180bn.

The rolling plan is likely to slow the growth rate of gross domestic product projected in the original plan at 6.5 per cent. But the decline is yet to be calculated, planning commission officials said.

The spending cuts have been prompted by less-than-expected level of exports, a reduction in remittances of Pakistanis working in the oil-rich Middle East, and a high rate of inflation.

Since the sixth five-year plan was launched on July 1 1983, farm growth has declined for the first time in five years, reducing the overall GDP in fiscal 1983-84 (July 1 1983 to June 30 1984) to 4.6 per cent, from a projected 6.5 per cent.

Exports in 1983-84 rose only 4 per cent to $2.8bn from the previous year instead of the forecast 8 per cent. Exports in July-September were 20 per cent down from the same period last year because the country could not export enough hand-knitted carpets and rice — its two key foreign exchange earners.

The remittances of Pakistanis working in the Middle East, a key source of hard currency, declined by 3 per cent in 1983-1984 to $2.8bn. Remittances are projected to decline further to $2.6bn in 1984-85, as several thousand Pakistanis have started returning home, because of lower spending in the host countries, currently beset with smaller earnings and reduced oil prices. The total migration is still larger than the net number of returns, however.

The rolling plan will have the same priorities as the sixth plan, including development and expansion of energy resources, transport and communications, rural and urban roads, social services in rural areas, and education and skill development.

China to allow U.S. ships to make courtesy calls

BY MARK BAKER IN PEKING

CHINA HAS agreed to allow U.S. warships to make courtesy calls at its ports in a further move towards closer military links between the two countries. Mr Hu Yaobang, the General Secretary of the Chinese Communist Party, confirmed the decision in a surprise remark to a visiting Japanese business delegation at the weekend.

"American warships will be allowed to visit China's ports if they are on a ceremonial call and the request is made through diplomatic procedures," Mr Hu said.

He denied that China was entertaining the idea of a military partnership with the U.S.

However, the decision is likely to pose a fresh irritant in Sino-Soviet relations. Moscow has already voiced its displeasure at growing military contacts between China and the U.S. over the past year.

U.S. Embassy officials in Peking would not say when the first U.S. ships were likely to call. But sources, who confirmed that the Americans had been taken by surprise by Mr Hu's announcement, said it was unlikely that ships would visit before next spring.

The announcement follows a series of military exchange visits between the two countries and some intensive negotiations on possible sales of military equipment by the U.S.

Lebanese army moves to boost authority

By Nora Boustany in Beirut

THE LEBANESE army yesterday moved to take full control of the Lebanese capital from an assortment of militias in a Syrian-approved security plan aimed at extending state authority as a prelude to an Israeli pullout from south Lebanon.

The deployment of clean-shaven Lebanese soldiers, patrolling the streets of Beirut in armoured personnel carriers, went smoothly and without incident. There was no spectacular demonstration of strength as expected. Gunmen, who usually parade with their arms and battle fatigues, were not to be seen and a number of their arbitrary checkpoints were dismantled by daybreak.

A six-man military council headed by Gen Michel Aoun, the Commander-in-chief of the army, has worked out plans for the effective deployment of three brigades, some 6,000 soldiers, in the greater Beirut area over a 10-day period.

The security measures ordered by the Government at a Cabinet session last week are part of efforts aimed at reinforcing an atmosphere of stability and boosting the image of the state.

U.S. and N. Korea at odds over shooting

North Korea and the U.S., in a meeting yesterday at Panmunjom, clashed predictably over the shooting incident that took place in Panmunjom last Friday, in which three North Koreans and one South Korean died and an American soldier was wounded, writes Steven B. Butler in Seoul.

However, U.S. military personnel said informally that they expected that airing of the conflict will allow both sides to put the incident behind them. It has been feared that the shooting incident would mar the atmosphere for economic and other negotiations that have been taking place between North and South Korea. However, both governments appear anxious to maintain their contacts.

Michael Thompson-Noel on the parties' vagueness on foreign affairs

Australia urged to look to Asean

FOREIGN AFFAIRS in general and Australia's relations with Asian countries in particular have hardly featured at all in a long election campaign dominated by domestic concerns such as capital gains tax and death duties.

Leaders of both main parties have been deliberately vague. Mr Bob Hawke, the Prime Minister whose Labor Government is heading for certain re-election this Saturday, delivered some fine-sounding sentiments in his main campaign policy speech on November 13 in the Sydney Opera House.

"In the years ahead," he said grandly, "we will continue to build on the constructive and close relations that we have established with the countries of Asean (Association of South East Asian Nations), with Japan and China, and with our south-west Pacific neighbours."

He maintained that Australia must be more than a "passive beneficiary" of growing east Asian demand for foodstuffs and raw materials, arguing that Australia's talents and resources called for a new role as a supplier of "advanced services, specialised technology and manufactures embodying high skills, as well as the primary products which have been the traditional mainstays of our foreign trade."

The attitude of Mr Andrew Peacock, leader of the Liberal-National Party Opposition, to Australia's foreign relations has been even less precise than Mr Hawke's.

For example, Mr Peacock's main policy document makes virtually no mention of Asean, preferring to concentrate on the Liberals' promise to forge a bilateral defence alliance with the U.S. if action by New Zealand threatens further weakening of the ANZUS defence treaty between Australia, the U.S. and New Zealand.

In other words, the course of the Australian election campaign to date has borne out a recent complaint by Australia's Joint Committee on Foreign Affairs and Defence—namely, that when it comes to Asean, there is a gap between Australian rhetoric and policy commitments.

In the view of the committee: "As a grouping of Australia's neighbours, the Asean countries—Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei—are of vital political and strategic significance to Australia. . . Mutual misunderstanding of political and cultural values, or at least stereotyped images of each other's values, are common in both Australia and the region. . . Better mutual awareness is a priority need."

Asean's collective wealth is not much greater than Australia's—a combined gross national product in 1982 of about U.S.$202bn (£168bn) (Asean) versus one of US$156bn (Australia).

However, based on rates of GNP growth over the five years 1979-83, Asean's combined GNP would be about US$500bn in 2000, whereas Australia's would be only US$220bn.

What is surprising is how little Australia and Asean mean to each other economically. Quantitatively, the growth in two-way trade has been impressive—from A$457m (£348m) in 1972-73 to A$3.4bn (£2.3bn at current rates of exchange) in 1983-84, equivalent to an average annual increase in real terms of over 8 per cent.

Together, the six Asean countries are Australia's fourth largest trading partner, both for imports (5.2 per cent of all Australian imports) and exports (8.8 per cent). However, so far as Asean's total global trade goes, Australia remains a peripheral supplier and purchaser, accounting for only 3.7 per cent of Asean exports, and 2.5 per cent of imports, in 1983.

Economically, therefore, Asean is far more important to Australia than Australia is to Asean. Moreover, Australia's merchandise trade surplus with Asean is traditionally offset by a net invisibles deficit. The invisibles deficit was A$545m in 1981-82.

In the committee's view, relative improvements in Australia's export performance, especially a better matching between Australian export production and developing Asean demands would enhance Australia's "respect and political influence."

However, there are hurdles. For example, the committee says it is "notable that Australia's best export performances are in Singapore and Malaysia, with which Australia shares a similar colonial heritage. Unfortunately, the degree of interest in Asian studies among Australian businessmen and students is low."

Second, Australia's high import barriers and resistance to industrial restructuring. The committee says that if Australia does not play a more integrated role in the region, it may become largely irrelevant to Asean economic development. "This in turn could significantly reduce Australia's political influence in the region."

In order to enhance regional security and minimise the destabilising potential of "major power interference," says the committee, Australia and Asean must improve mutual awareness and understanding, bolster economic ties, and improve co-operation on political and security issues.

However, the evidence of the Australian election campaign to date suggests that the gap between Australian rhetoric and policy commitments in its own region is still highly visible.

Predictions that Australians will eventually become the "white trash of Asia" may not be borne out. However, there are signs that unless they make genuine progress in aligning their white, capitalist and Christian continent more closely with southern and south-east Asia, they will be seen to be operating a "terminus" economy. After all, there is nothing to their south but penguins and plankton.

Mr Andrew Peacock, leader of the Australian Liberal Party, scored what seemed to be a narrow points victory in last night's live televised debate with Mr Bob Hawke, whose Labor Government seems set to win Saturday's general election.

Touted as the highlight of a long and arduous campaign, the debate did much to bolster Mr Peacock's flagging credibility, without endangering Mr Hawke's safe lead.

Gulf summit convenes in Kuwait

By Kathleen Evans in Dubai

FOR weeks, Kuwaiti schoolchildren have been inculcated by their expatriate Egyptian schoolteachers with the benefits of the Gulf Co-operation Council. Newspapers have been carrying tedious and endless statements from officials on co-operation and unity between the six member states. Even before the summit begins, most residents are bored to death with the subject.

The annual multi-million dollar spectacle of the GCC summit opens today in Kuwait. The conference of sheikhs, emirs and the Saudi monarch convenes in a hall of solid marble and rich decor—just 100 miles away from the front line between the armies of Iran and Iraq.

The Iraqi army is at present on a state of high alert following threats by Iran to "finish off the war" by its long awaited offensive. Despite this nightmarish prospect, Gulf leaders are not expected to emerge with any fresh ideas on how to seek peace between their two powerful neighbours.

Indeed, the summit could actually highlight just how devoid of ideas the GCC is on the war.

The pretence of neutrality has worn a bit thin after $35bn (£28bn) worth of aid to Iraq, and the Kuwaiti initiative in the United Nations early last summer aimed at obtaining a condemnation from the Security Council of Iranian air strikes on Gulf shipping.

While little dramatic progress is expected on other foreign policy issues the summit it likely to confirm the establishment of a joint military command and a rapid deployment force for the area. The force is likely to be largely symbolic, numbering 2,000-3,000 men, say diplomats, and it will be stationed in Saudi Arabia with a senior Saudi officers as its chief.

Co-ordination between the states, hitherto confined largely to the economic sphere, is now beginning to touch the sensitive areas of military strategy. It is not a development which will be approved as easily as other resolutions on co-operation, and there is likely to be a great deal of discussions on the style a joint military command will have in practice.

Marcos returns after two-week absence

BY EMILIA TAGAZA IN MANILA

PRESIDENT FERDINAND MARCOS of the Philippines yesterday joined his Cabinet for the first time after two weeks of medical isolation and signed the 58.3bn pesos (£2.5bn) national budget for 1985.

Mr Marcos was last seen in his office on November 13 and his subsequent failure to come out for his usual almost daily news appearances sparked intense speculations about his health.

Rumours ranged from his having had a kidney operation, throat surgery, a heart bypass, to his being dead. Doctors yesterday confirmed Mr Marcos underwent major surgery and was very sick for a week but is now recuperating.

Although Mr Marcos was shown yesterday signing the budget before Cabinet members and parliamentarians, his voice was not heard. This has raised doubts about the permanence of his recovery.

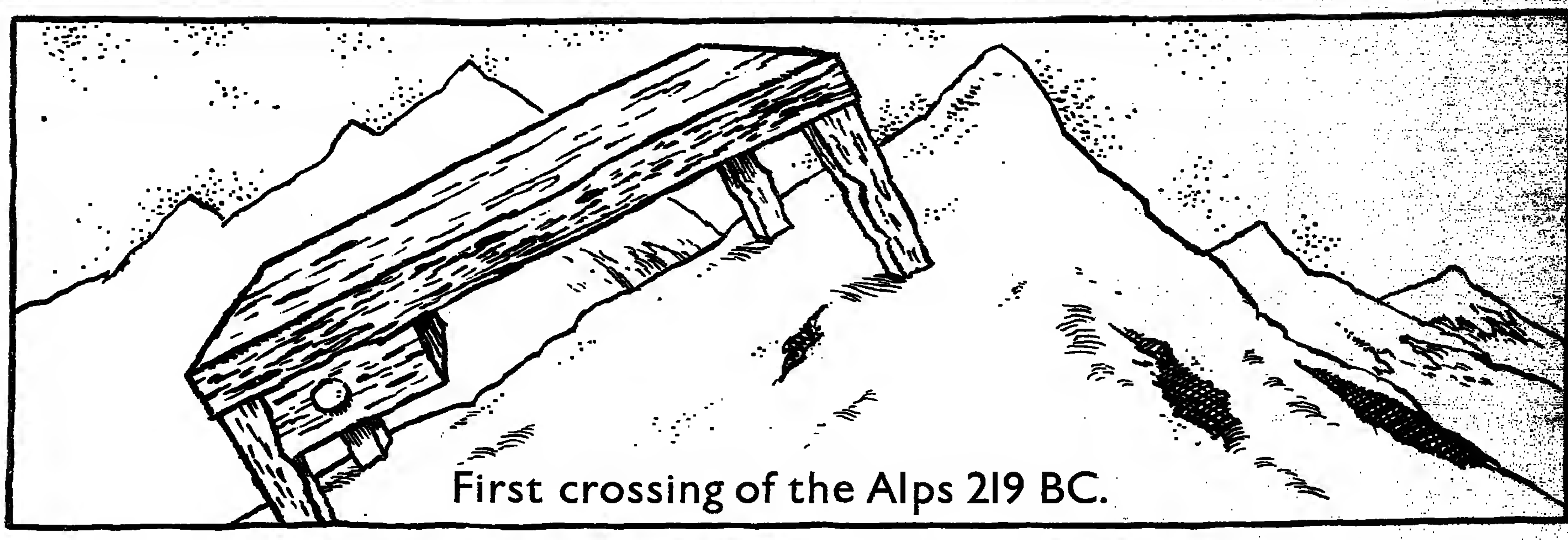
The President's temporary incapacity has underlined the fragility of the country's political structure, with so much power concentrated on Mr Marcos.

Government administration has almost ground to a halt and many Cabinet ministers have appeared to be at a loss without direction from the Presidential palace.

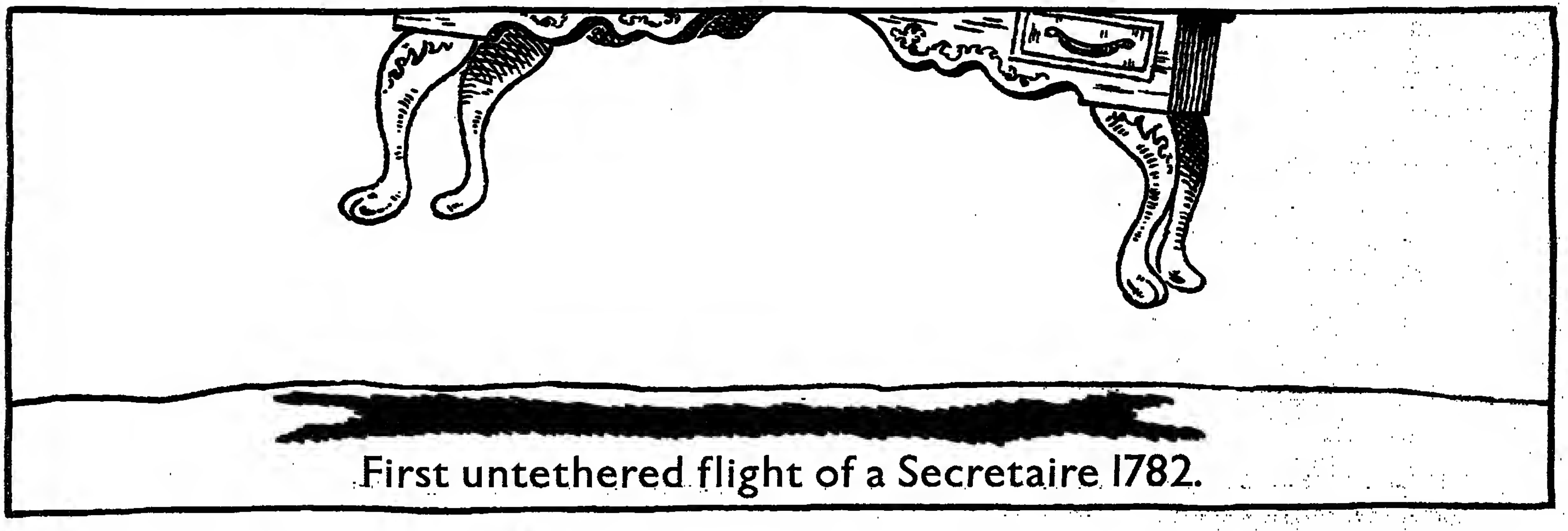
Mr Marcos's absence has yet again raised the issue of succession amid continuing fears of intervention by the military.

Lt Gen Fidel Ramos, acting armed forces chief of staff, while known to be a professional soldier, has earlier admitted he has no "full authority."

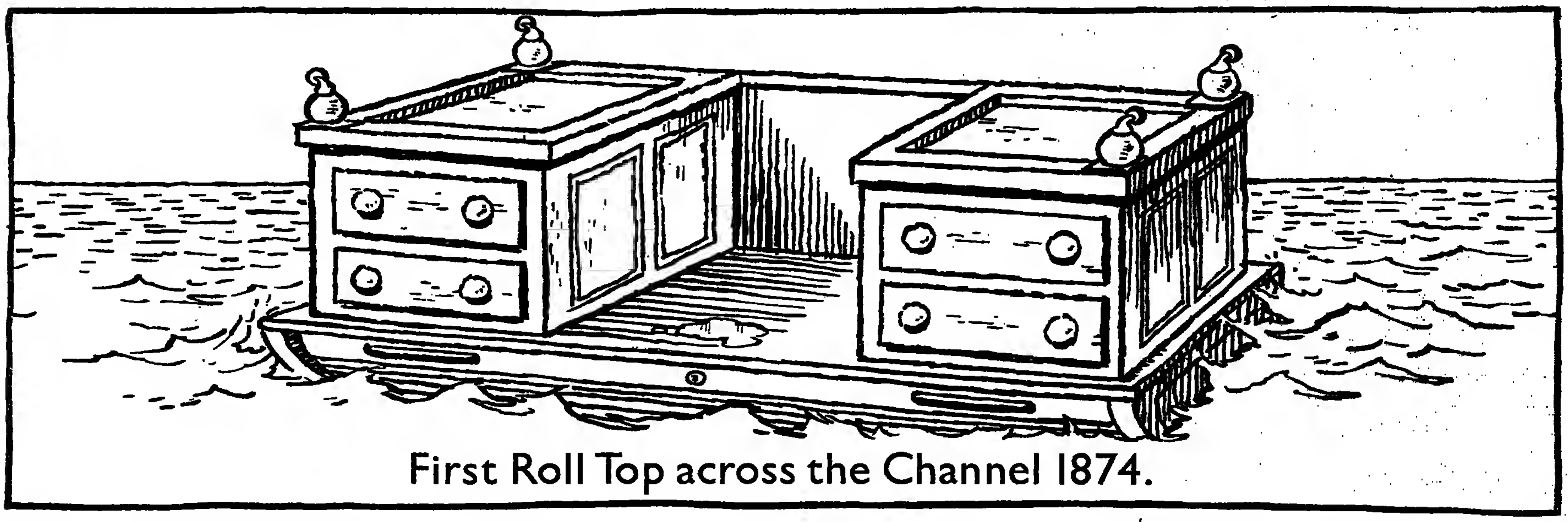
GREAT MOMENTS IN THE HISTORY OF THE DESK



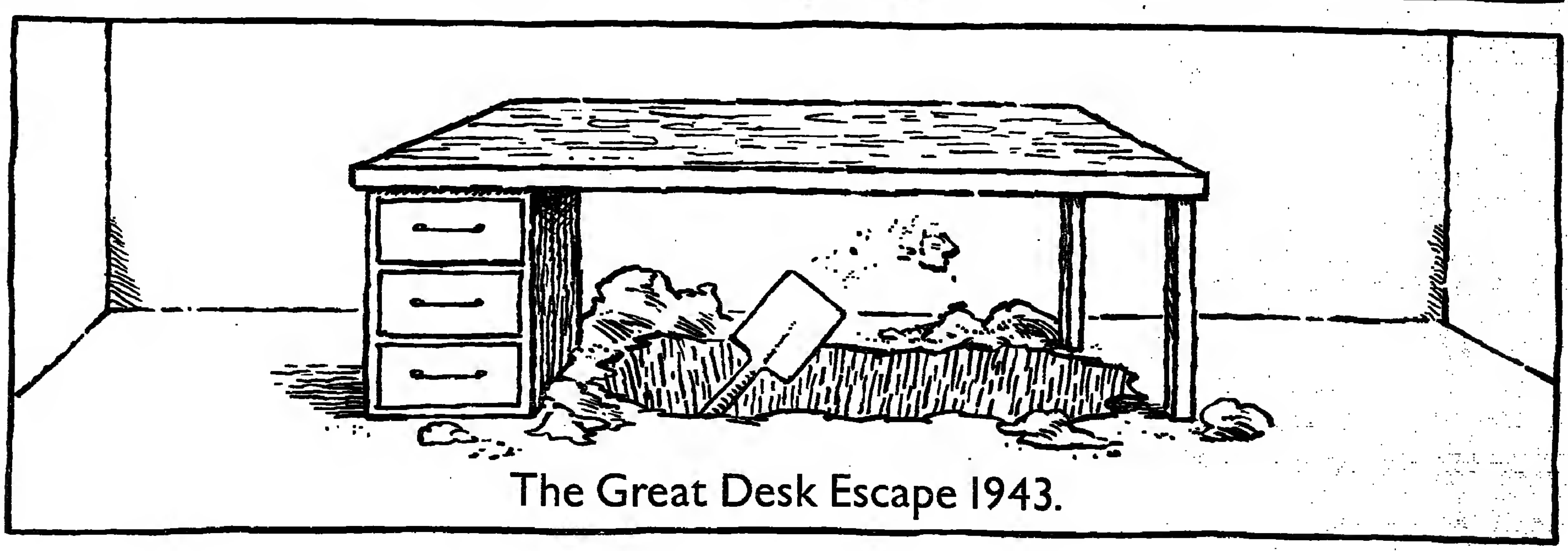
First crossing of the Alps 219 BC.



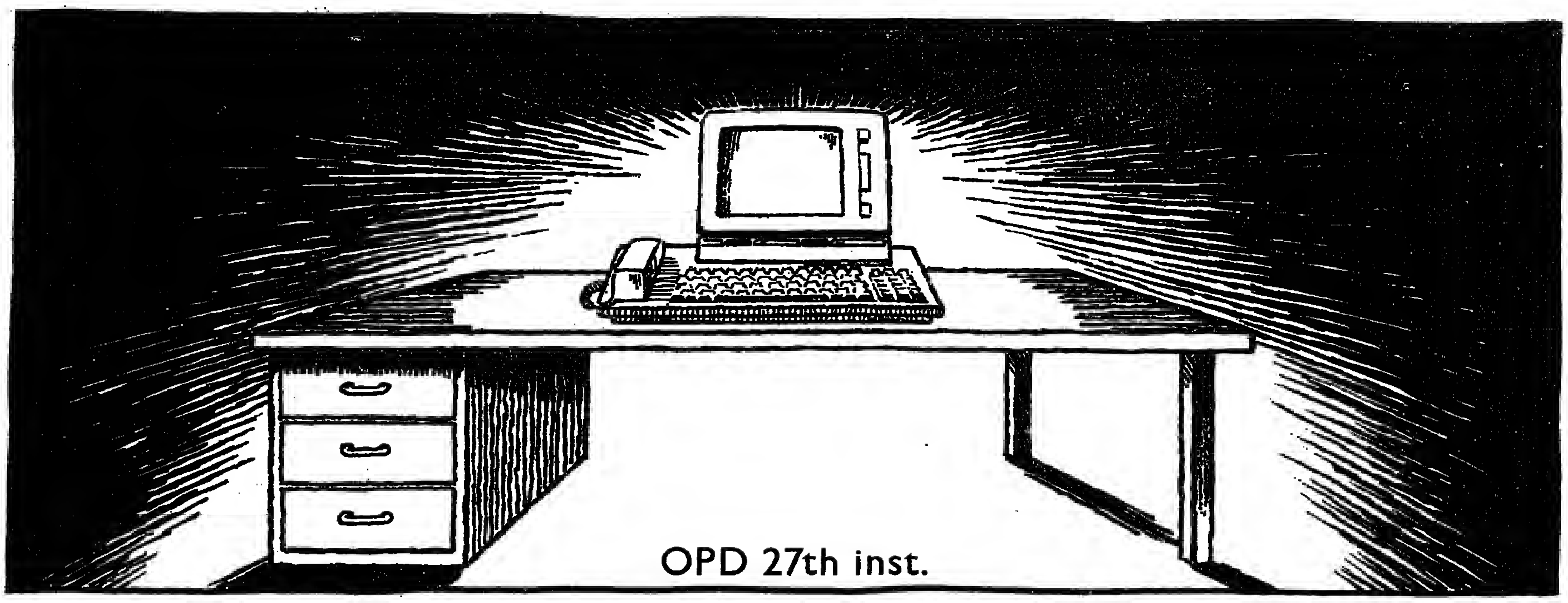
First untethered flight of a Secretaire 1782.



First Roll Top across the Channel 1874.



The Great Desk Escape 1943.



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AMERICAN NEWS

Jimmy Burns looks at whether the Beagle referendum may prove a pyrrhic victory

Alfonsin hostage to nationalist rhetoric

THERE WAS more than coincidence in the fact that Argentina's Sunday referendum on the Beagle Channel was held just a few days away from the first anniversary, in power of President Raul Alfonsin's Radical government.

One year after he was sworn in on a wave of euphoria, President Alfonsin has found himself in desperate need of reassurance.

It is in the sense that Sunday's vote had less to do with territory than with popularity that President Alfonsin can claim to have won a personal victory. There seems little doubt here among political observers that the President's intervention in the last week of the campaign was crucial to the overwhelming vote in favour of "yes", and the relatively small abstention.

Two weeks ago the Government's campaign had been showing distinct signs of failure. Early opinion polls showed that more than 70 per cent of the population was simply not interested in casting its voto even though the Government had spent $5.4m on posters and television slots.

The bubbling enthusiasm and popular participation of the presidential elections in October last year seemed to have been replaced with apathy and disillusionment largely due to the Government's poor economic record.

There was a spirited performance by Sr Dante Caputo, Foreign Minister, in a televised debate. But the turnaround in public opinion began with President Alfonsin's first appearance of the campaign in the University town of La Plata last Monday.

It reached its climax on Friday when nearly 100,000 people crammed into Buenos Aires Velez Sarsfield stadium and ecstatically screamed their approval of their President, with the familiar chant "Alfonsin, Alfonsin, Alfonsin."

The crowd was smaller than the huge public rallies which accompanied President Alfonsin's march to victory last year. But it had no rivals in the referendum campaign in terms of a total identification between a wide cross section of public opinion and a charismatic "lider."

For if President Alfonsin was the undisputed winner of Sunday's vote, the title of humiliated loser must go to the major opposition party, the Peronists. The referendum campaign exposed the deeply entrenched rivalries of a political grouping that under the late General Peron was, along with the military, the undisputed major force of Argentine politics.

The Peronist Party executive campaigned vociferously for an abstention. Identifying what it regarded as a Government attempt to exploit the Beagle issue for its own political gain, the opposition focused less on the terms of the treaty as on the mechanics of the referendum—although in the last days of the campaign there seemed little to distinguish some Peronists from the extreme nationalist groupings linked to the military who supported a categorical "no" note.

The executive's campaign might have had some credibility had it reflected a consensus opinion within the party. This was clearly not the case.

On the contrary, one of the most remarkable aspects of Sunday's vote was not so much the Peronists who abstained or voted no, but the many of them who voted in support of the Government.

The split among the Peronist rank and file was a direct consequence of the contradictory public positions adopted by numerous Peronist officials. Many of them, including Maria Estela 'Isabelita' Peron, the Party's titular head, and Sr Italo Luder, the former presidential candidate took President Alfonsin's side.

Whether the treaty itself will ensure lasting peace for Argentina, as the Government's propaganda has insisted, is another matter.

On one level, the treaty reads like a perfect compromise. Argentina has lost the disputed islands to the south of Tierra del Fuego but gained instead a far more extensive control over the South Atlantic than Chile.

Finally, by binding the two countries with a commitment to economic co-operation—Argentine exporters will now have access to Chile's Pacific ports and there will be a number of joint ventures in the energy sector—the treaty in principle links Buenos Aires and Santiago in a common future.

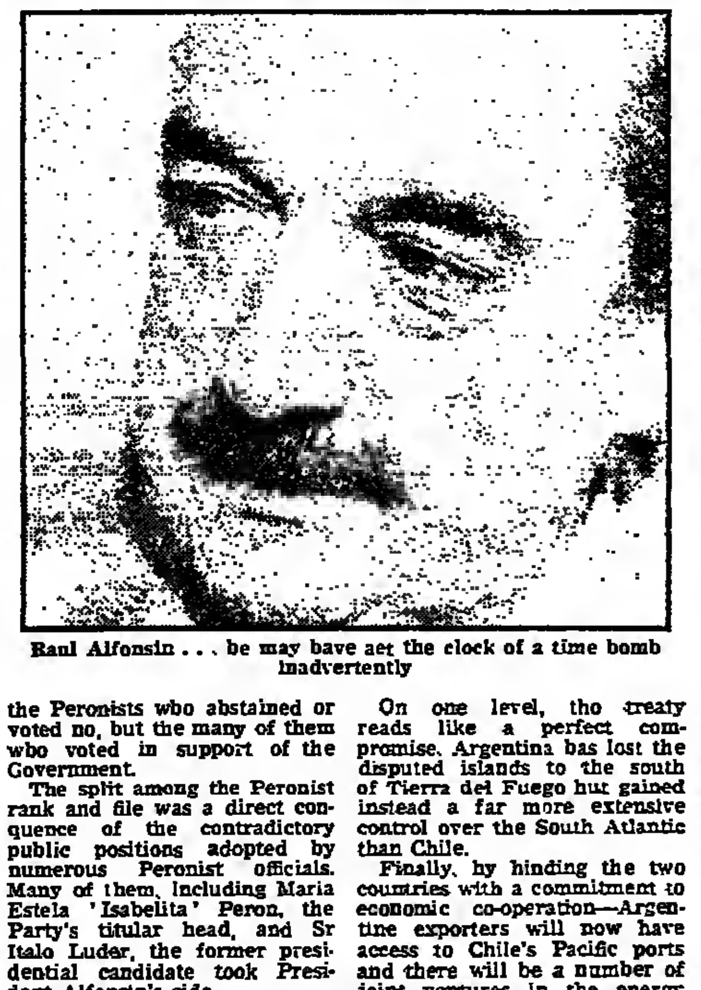
In practice, however, the referendum may have inadvertently set the clock of a time bomb for Sr Alfonsin. By appealing to Latin American solidarity against the "forces of imperialism" and declaring Britain and not Chile as the "real enemy," Sr Alfonsin's campaign rhetoric has paradoxically inflamed the same nationalist emotions that brought Argentina to the point of war with Chile in 1978 and to the Falklands invasion in April 1982.

From today, Sr Alfonsin's supporters, dissident Peronists included, will be watching for concrete signs that this nationalism is genuine.

To an important extent Sr Alfonsin is risking becoming a prisoner of his own rhetoric and while the peace treaty with Chile will undoubtedly allow Argentine foreign ministry officials more time to attend to the Falklands issue, the chances are that attitudes towards Mrs Thatcher will be forced to harden, making a negotiated settlement less easy to achieve.

Arguably, moreover, even Sr Alfonsin's boosted personal popularity as a result of the referendum may be more than a curse than a blessing. The referendum confirmed that the survival of the Government depends on the figure of the President, and that is a fragile existence in a country prone to the violence of an unpredictable lunatic fringe.

The assassination plot uncovered in the last days of the campaign and the bombs which exploded in Velez Sarsfield on Friday left many observers here with an ominous thought—what would happen in Argentina if the assassin's bullet found its target?



Raul Alfonsin . . . he may have set the clock of a time bomb inadvertently

Mexico to keep same borrowing target

By David Gardner in Mexico City

MEXICO'S 1985 external borrowing target is to remain unchanged from earlier forecasts despite its recent cut in oil exports and the reduction by about a quarter of the $4.5bn (£3.75bn) banker's acceptances facilities that Pemex, the state oil monopoly, uses to part-finance its trade.

The net foreign borrowing target for 1985 remains $1bn, the lowest figure in 13 years. This compares with $5bn in bank credit in 1983 and $3.8bn this year, and 29bn in the 1980-82 period, leading up to the country's financial collapse.

Last month Mexico cut crude exports, which last year earned over $16bn, by 100,000 barrels a day, in line with Opec's attempts to protect oil prices, or about $1bn averaged over a year.

At the moment, however, this loss is being offset by savings on debt service payments through recent falls in international interest rates.

The reduction in Pemex's two banker's acceptances facilities is to made up in the short-term by dipping into the reserves — currently standing at over $7.5bn — and in the medium term by replacing the finance with new trade credit lines.

Pemex has an acceptances facility of $4bn with over 80 U.S. banks and £365m with UK banks. These are to be reduced by $1bn and £115m, respectively, in line with regulations of the Bank of England and U.S. Federal Reserve.

Reductions of $43m are due this month on the sterling facility and of $350m next month on the dollar line. Treasury officials report that Mexico has already secured a new trade credit line with Japan's Eximbank for Y10bn ($40m).

Mexican officials in New York are also reviewing this week the size of the pre-payment the country will make on the $5bn jumbo credit it received in 1983.

As part of September's agreement in principle with its main bank creditors on a multi-year restructuring of $48.5bn of the country's $91bn foreign debt, Mexico agreed to prepay $1bn and "use its best efforts" to repay an additional $500m on the $5bn jumbo, once the rescheduling was tied up.

Centre-right claims large majority in Uruguayan election

BY MARTIN ANDERSEN IN MONTEVIDEO

SR JULIO SANGUINETTI, leader of Uruguay's traditional centre-right Colorado Party, yesterday claimed a convincing victory in the country's first general elections after 11 years of military rule.

However, a top election official said yesterday that the vote totals in 40 per cent of the capital Montevideo's electoral districts, or 20 per cent of the national total, showed evidence of what be called "grave irregularities."

Sr Sanguinetti, 48, a former education minister, easily outdistanced Sr Alberto Zumaran, centre-left Blanco Party candidate, and the choice of the leftist coalition Sr Jose Crottogini, the 76-year-old gynaecologist.

The left-wing Broad Front coalition, widely tipped in local polls to win the mayoralty of Montevideo — the country's second most important political post—failed to beat the Colorados in this Mediterranean-style capital, in which nearly half Uruguay's 3m people live.

The Colorados ran on a platform of opposition to programmes of land reform, nationalisation of the banking sector, and a full amnesty for political prisoners proposed by both the Broad Front and the Blancos.

Most analysts say Sr Sanguinetti won in part because the undisputed leaders of the two other parties were prohibited by Uruguay's far-right military regime from standing. Sr Wilson Ferreira Aldunate, 66-year-old Blanco leader, a fiery former Senator who is Uruguay's most popular politican, has been held in a military jail since he returned in June from 11 years' exile on still unproven charges of links to the once-powerful Tupamaro guerrillas.

Sr Sanguinetti was bitterly criticised by the Blancos for entering into an agreement with the military in which a political ban on Sr Ferreira, Sr Liber Seregni Broad Front leader, a half dozen smaller parties, and about 5,000 left-wing activists was maintained.

Sr Sanguinetti, who, according to incomplete returns, received less than 40 per cent of the vote, defended the accord as the best possible agreement under the circumstances. He was aided in his argument by the fact that the Broad Front and other smaller parties also agreed.

"The vote clearly showed the people approved of the agreement," Sr. Sanguinetti told cheering supporters early this morning. He also termed the vote "clean and exemplary."

That appraisal was disputed, however, by Col Jose Khatcherian, the chief electoral officer, who said yesterday that the vote showed "irregularities previously unknown in Uruguay."

Col Khatcherian showed reporters two vote tallies in which nearly half the votes cast were not registered on the final total. In both lists none of the votes cast for the Broad Front and the Blancos were included, a situation he said was repeated in "many, many districts."

As he spoke, the Blanco standard bearer Sr Zumaran was congratulating Sr Sanguinetti on his victory. Hopes for a Blanco victory faded as returns from the countryside, traditionally a party bastion, showed the two traditional parties running neck and neck.

Sr Sanguinetti staged what many observers considered a remarkable victory given what was generally believed to be a widespread radicalisation of the electorate during 11 years of harsh military rule.

Julio Sanguinetti . . . takes the lead in early returns

World Court 'has jurisdiction to hear Managua case'

BY LAURA RAUN IN THE HAGUE

THE INTERNATIONAL Court of Justice yesterday ruled 15 to 1 that it has jurisdiction in the case involving Nicaragua's claims that the U.S. mined its harbours and provided support for the "contra" anti-government forces.

The ICJ, informally known at the World Court, also ruled unanimously that Nicaragua's request was admissible. World Court decisions are not binding on the parties and rely on voluntary compliance for their execution.

Yesterday's decision means that the World Court now can address the merits of the case, which was initiated by Nicaragua on April 9. Nicaragua asked the court to order the U.S. to stop providing direct or indirect support for military or para-military activities in or against Nicaragua.

The U.S., however, had asked the court to dismiss the case on the grounds that jurisdiction was lacking and that Nicaragua's request was inadmissable.

Nicaragua did not sign the declaration establishing the precursor of the World Court and failed to declare its intent to abide by court decisions, the U.S. argued.

On April 6, the U.S. notified the United Nations, of which the World Court is the judicial agency, that the U.S. would not abide by any decisions involving Central America for two years.

Furthermore, the U.S. argued that Nicaragua's application was inadmissible on five grounds, including an alleged conflict with the Contadora-group process. The Contadora group, which comprises Mexico, Panama, Colombia and Venezuela, has sponsored a peace initiative involving several other Latin American countries, including Nicaragua.

Yesterday's ruling leaves intact the provisional measures announced on May 10 by the World Court in which the U.S. was ordered to stop restricting access to or from Nicaraguan ports, particularly the laying of mines.

The court also provisionally ruled that the U.S. must not use threats or force against Nicaragua's territorial integrity.

It remains unclear whether the U.S. will abide by an ultimate decision on the merits of the case which could take several years.

Sr Carlos Arguello, Nicaragua's ambassador to the Netherlands, called the decision a "moral victory," and said his country expected compliance from the U.S.

WORLD TRADE NEWS

Gatt chief calls on U.S. not to abandon multilateral system

BY CHRISTIAN TYLER IN GENEVA

AN APPEAL to the U.S. not to break away from the international system of trading rules was issued yesterday at the opening of the annual meeting of the General Agreement on Tariffs and Trade.

Mr Hans Ewerlöf, Swedish ambassador and chairman of the 90-member Gatt, said that a retreat into bilateral trade pacts was a cure "very much worse than the illness."

His speech seemed designed to counter U.S. frustration that has come to a head in recent days here. American negotiators have been locked in a struggle with third world countries about the future shape of the Gatt agenda.

A group of a dozen heads of mission has been meeting for three days to debate American demands which the U.S. says must be met before the week is out.

Mr Ewerlöf did not name the U.S. in his speech, but his remarks were clearly aimed at Washington where the U.S. Trade Representative's office is under enormous pressure to get results from the Gatt multilateral trading system.

The U.S. has become increasingly drawn to the bilateral approach to resolution of its trading problems, and is currently embarked on a round of talks with key trading nations in an effort to curb steel imports.

The U.S. also is insisting here that formal working parties are set up to consider how trade in services might be liberalised and how trade in counterfeit goods should be stamped out. It is being resisted by developing countries, led by India and Brazil, which argue that the Gatt is not the right forum.

Broad agreement on procedure for considering other topics appears to have been reached, however. These topics are marks of origin on goods, trade in high technology and the effect of exchange rate fluctuations on trade policy.

The disagreements on procedure reflect a much more serious division between the rich nations, which say Gatt should move to tackle new issues like services and the developing world, which broadly argues that old problems should be cleared up first.

In his speech, Mr Ewerlöf listed a number of "increasingly bleak" statements that suggest an impatience with the system so deep that allegiance to it is in question."

Bilateralism would only lead to further fragmentation of the world economy, less fairness in trade and fewer economic opportunities for all nations," he said.

● Gatt reported yesterday that world exports grew by 8½ per cent in the first nine months of this year and imports were up 9 per cent compared with the same period in 1983. Trade for the year as a whole is expected to increase by 8 to 8½ per cent.

Saudis 'will not dump' petrochemicals on market

BY CARLA RAPOPORT

SAUDI ARABIA does not intend to dump its petrochemicals on the world market in order to keep production running at full capacity, according to Mr Ibrahim Salamah, managing director of Saudi Basic Industries Corporation (Sabic).

Speaking at a Tokyo symposium, Mr Salamah said, however, that the role of OECD countries in chemical production will lessen as a result of more capacity coming on stream in energy-rich countries.

Mr Salamah recognised that there was international concern over petrochemical production coming onstream at a time when the world market was suffering from excess capacity. Saudi Arabia, however, would ensure its new industry would enter the world market "in an orderly, not disruptive, manner," he said.

Anticipating a bout of protectionism and nationalism among countries anxious to protect their chemical industries, Mr Salamah called for more co-operation in joint investment in energy-rich countries.

Oil prices 'likely to decline further'

By Ian Hargreaves

OIL PRICES will continue to fall and the Organisation of Petroleum Exporting Countries (Opec) will remain under pressure for at least the next three years, according to an analysis published today.

The report, the work of a newly formed link between the U.S.-based Cambridge Economic Research Associates and City of London stockbrokers James Capel, argues that oil has now become part of a commodity market in which prices will fluctuate considerably.

It suggests that in the next three years, the likeliest trading range is $24 to $29 a barrel.

The authors argue that prices will remain weak even if the Gulf War continues, because of high non-Opec production, surplus refinery capacity and other factors which have made oil prices less vulnerable to manipulation by Opec. This tendency will be strengthened, the report says, when Iraq's pipeline system is extended by 1986.

There is equally little cheer for Opec in the report's assessment of oil consumption patterns. For the whole of 1984, the authors suggest that industrialised countries' oil consumption will grow at only half the rate of their economies, in spite of high oil consumption growth in Japan in the first half of this year.

This means that oil consumption is likely to grow at an annual rate of between 1 and 2 per cent in the next three years—adding between 2.1m b/d and 2.8m b/d to world consumption in the period. Of this, non-Opec producers are expected to claim around 0.8m b/d, leaving only 2m b/d of additional production for Opec.

"The result will be Opec's deepening dilemma—how to parcel out a miserly increase in demand during a period in which many of its members expect and need increased revenues."

Opec's Deepening Dilemma—world oil market 1984-87. CERA/James Capel, Winchester House, 100 Old Broad Street, London EC2N 1BQ.

Canute James in Kingston assesses a new duty-free incentive programme

U.S. scheme leaves Caribbeans unimpressed

THE U.S. Commerce Department has been reporting a steady increase in U.S. imports from the Caribbean, particularly from the 20 countries which have been designated beneficiaries of a trade incentive programme.

But the Caribbean is not altogether convinced that the increase in shipments is the result of the Caribbean Basin Initiative, a 12-year programme started in January by the Reagan Administration, and which allows a wide range of products to be shipped duty free to the U.S.

"I think we are satisfied with the pace and developments of the CBI," said Mr Jon Rosenbaum, assistant U.S. trade representative, said recently in Barbados. "We do think we are already seeing some concrete documentation. We have seen some evidence that things are beginning to move."

The figures support Mr Rosenbaum. In the first six months of this year there was a 32.7 per cent increase, by value, in U.S. imports of goods which qualify for preferential treatment under the CBI. The imports totalled $160m.

Overall U.S. imports from the Caribbean region between January and July reached $5.48bn, a $45m increase on the corresponding period of last year.

Government officials and businessmen in some countries which qualify for the trade preferences have concluded, however, that the duty-free incentives have had only a marginal effect on these increases.

CANADA BATTLES TO SECURE LIAT ORDER

CANADA is offering Leewards Island Air Transport (Liat) funds to purchase five aircraft from the de Haviland company, following the breakdown of talks between the airline and the EEC over the use of a $20m loan from the community, Canute James writes.

The Canadian High Commission in Barbados said Ottawa is willing to provide long-term concessional financing if Liat were to buy five de Haviland Dash-8 37-seat aircraft. The Canadians have been negotiating for some time. A representative is to meet Liat today.

The island-hopping commuter, owned by the Governments of the 13-nation English-speaking Caribbean Economic Community, wanted to use the EEC loan to purchase four British Aerospace 748s, but the EEC insisted that the Franco-Italian ATR-42 be purchased instead.

Despite the Canadian offer, the airline says it still wants the British aircraft.

"We have been having discussions with both British and Canadian Government representatives," said Mr Neville Nicholls, a vice-president of the Caribbean Development Bank.

"We have been doing all we can to secure alternative financing. We are hopeful Liat will be able to get aircraft it regards as suitable for its operations and not equipment which a particular financial institution wishes to ram down its throat."

The Canadian statement did not disclose the amount of money Ottawa was willing to offer, but said that two-thirds of the total package would be interest-free, with a low rate on the rest.

"It would have happened anyway," said a Barbadian Government official. He suggested that the figures reflect the strengthening of the U.S. economy, and increased demand, rather than they do an effort on the part of the Caribbean to take advantage of the CBI.

There is regional concern at the fact that the CBI makes notable ommissions from the list of Caribbean exports which can gain duty-free entry to the U.S. Textiles, apparel, footwear and other leather goods, and canned tuna are not allowed.

All except the last item have been the backbone of the Caribbean region's recent light industrial tradition. These, of all industrial ventures in the Caribbean, are the best established.

"Textiles should be allowed under the CBI, argued Mr Lester Bird, deputy Prime Minister and Minister of Economic Development of Antigua. "We can increase production of textiles rapidly, and this is an area which can generate significant new employment. The exclusion of textiles detracts from the CBI."

There is also a growing awareness that the CBI has added marginally to schemes which preceded it.

"One can view the CBI as an important statement of intent by the U.S. Government," said Mrs Sadie Fraser, general manager of The Jamaica National Export Corporation.

"However it has to be acknowledged that, except for a few agricultural products, the CBI, as it stands at present, does not add very much more to the duty free rights already enjoyed by Caribbean exporters under the U.S. Generalised System of Preferences scheme."

Trade officials say that before the CBI, 80 per cent of the region's exports to the U.S. enjoyed preferential treatment under the GSP.

"The CBI really would have affected us in a profoundly positive way if it had included economic sectors which underpin the region's economy," said the Barbadian official. "Not only does the omission of certain products devalue the schema, but allowance should have been made for exports such as sugar, bauxite and petroleum products.

One part of the CBI does address tourism, but in a manner which some countries have found unpalatable. They are being offered a slice of the U.S. convention tourist market under a tax agreement which would allow U.S. business organisations to get tax credits on conventions held in designated Caribbean countries.

But in signing the agreement, the Caribbean states would be required to allow disclosure on the involvement of U.S. nationals in offshore banks in the region. Some countries, such as Barbados which has a fledgling offshore banking community, and the Bahamas, which has among the world's largest, have baulked.

Despite these setbacks, however, there is some optimism that the CBI will provide meaningful benefits to the weak economies of the region.

Jamaica expects to ship £8m of winter vegetables to the U.S. this year. The region's rum exporters, now relieved of duty, are planning to cut into the market dominated by Puerto Rico and the U.S. Virgin Islands.

Fresh fruit sales from the Dominican Republic, relieved of a 17 per cent duty, are increasing, as are exports of orange juice concentrate from Costa Rica, Panama and Belize, which used to attract a 45 per cent duty.

Haiti's "assembly" industrial sector will soon start putting together furniture from parts shipped from the U.S. Companies from the Far East, which market in the U.S. are planning to relocate in the Caribbean to take advantage of the CBI.

But while the U.S. market is important for the region, the Caribbean is small beer for America.

Caribbean exports have never accounted for more than 0.5 per cent of total U.S. imports. A successful CBI would be hard pressed to push this to more than 1 per cent.

Canadian textile crisis looms

BY ROBERT GIBBENS IN MONTREAL

ANOTHER CRISIS is looming in the Canadian textile and garment industry due to growing imports, and more plants could be shut in Ontario and Quebec provinces, the country's industrial heartland. The garment industry is the largest single user of fibre.

Canadian Textiles Institute figures show that the garment industry now accounts for about 55 per cent of the domestic market against more than 70 per cent in 1980-81, with erosion likely to continue. Imports of garments are estimated at 250m units this year, up from 202m in 1983 and 167m in 1982.

Another major user of fibres, the carpet manufacturing industry, is operating at 50 per cent of capacity and several remaining small producers are near bankruptcy.

M Raymond Chevrier, the chairman of CTI, and head of Celanese, Canada's textile group, says if the flood of imports is not stabilised, the primary sector will have no choice but to close more plants.

Bilateral quotas negotiated with Korea, Hong Kong, China and Taiwan and others are being outflanked by imports from newer suppliers Malaysia, Indonesia, Singapore and Thailand. Imports from the latter group rose 145 per cent in the first nine months. The Canadian deficit in the textile and clothing trade is now running at C$2.5bn (£1.57bn) yearly and is rising.

The industry is asking the new Conservative Government of Mr Brian Mulroney for short-term action to stabilise imports, then a medium-term solution through better surveillance of the quota system or possibly a move to global quota system.

Siemens to expand output of Turkish telecom plant

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical concern, has expanded its Turkish factory in order to begin production shortly of coaxial cable for a major communications project in western Turkey.

Siemens has already obtained an order to set up the long-distance cable network for voice and data communication by the end of 1987 at a cost of DM 265m (£67m).

With the Turkish authorities anxious to encourage local industrial production, Siemens' majority-owned venture, Turk Siemens Kablo ve Elektrik, will add coaxial cable technology to the operations of its factory at Mudanya, 70 km south of Istanbul. The expansion involves investment of about DM 7m.

The factory, in which Siemens has invested heavily in recent years and which employs more than 400, already turns out other forms of cable for electricity and communications use.

Siemens has a 55 per cent stake in its Turkish concern, with most of the remaining shares held by local Turkish interests.

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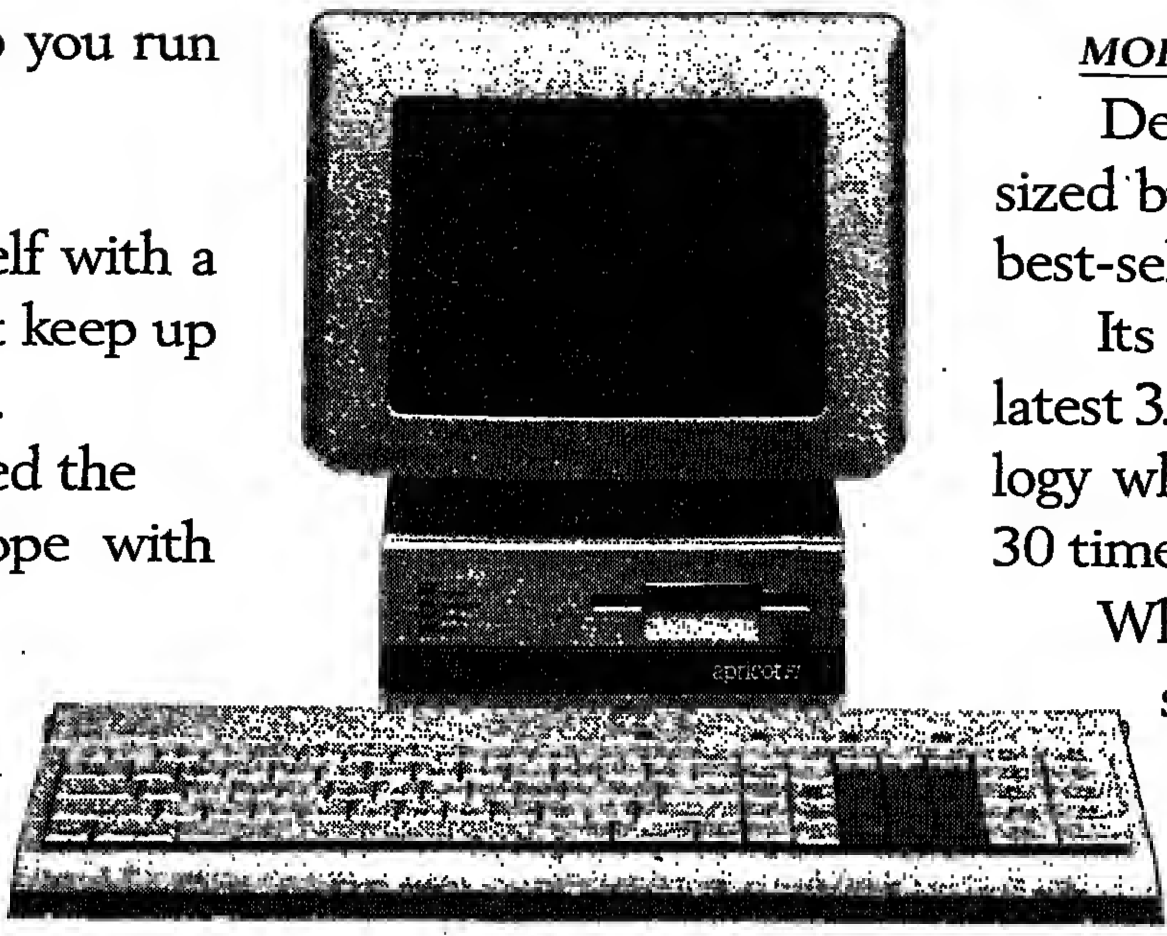

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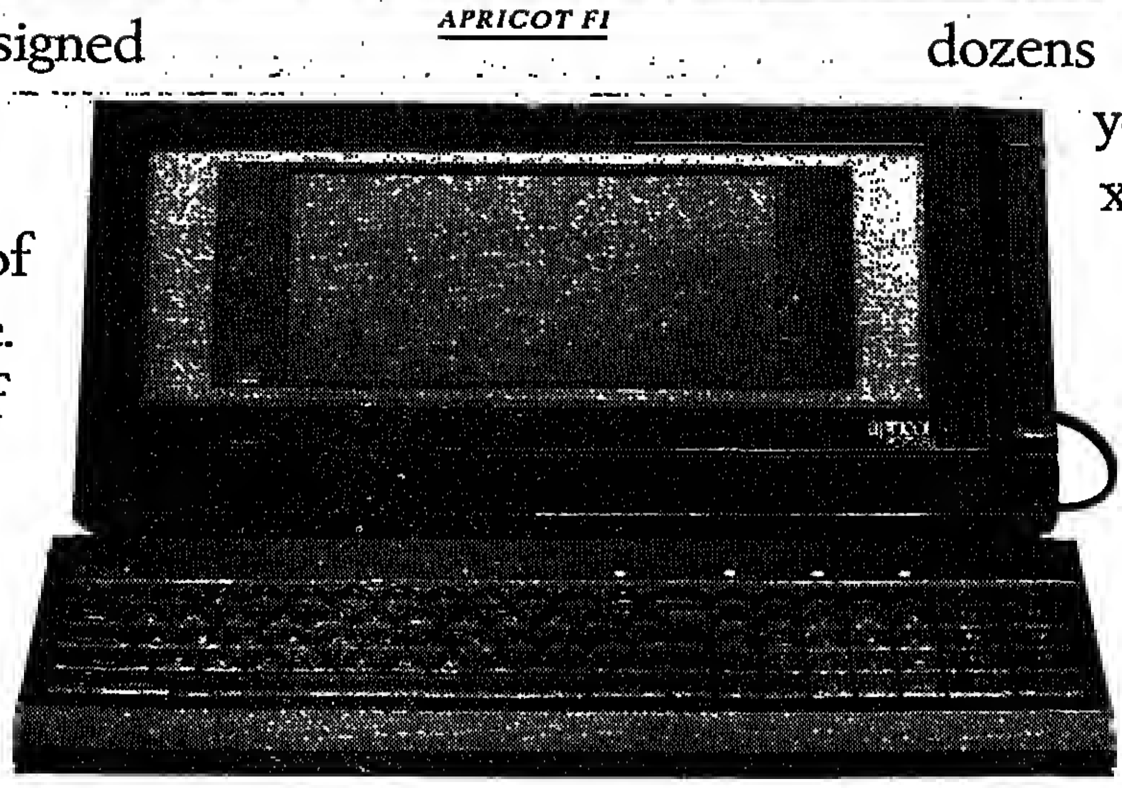

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Investors in denims and pin-stripes rush for Telecom shares

BY WALTER ELLIS

BRANCHES of the big City of London banks were opening their doors to some unusual investors yesterday as the demand for shares in British Telecom rose to new heights.

As well as the inevitable lines of men in dark suits, there were secretaries, shop assistants, denim-clad building workers and electricians. Crisp application forms from the Economist magazine were handed in alongside folded versions from the popular newspapers The Sun and the Daily Mirror.

Speculators should take note, however. A lot of individual, first-time investors are not scrambling for overnight profits. Many, in the time-honoured tradition of UK equity holding, are looking for a "sensible" rate of return. Only a few seem to be eagerly waiting for the stock exchange to open on December 3.

Ms Pauline Salmon, a secretary, saw the BT issue as a means of spreading her family's investments. She handed in cheques to the bank for a total of £600 on behalf of herself, her brother and her sister.

"I would have invested more, but I am going to the Caribbean on Wednesday and that is costing me £1,800."

Rajen Shah, a visiting resident of the United Arab Emirates, is another who sees his intended purchase as a long-term investment.

Mr Eric Reid, a clerk with the Daily Mail newspaper, had never thought of putting his savings into shares before but was attracted by the newspaper advertisements.

Mr Peter Shevlane, a former Telecom employee, is another who admits to having a cautious nature. He holds no other shares but was told by friends still with BT that an investment would prove profitable.

A merchant banker who declined to give his name said he had made many investments over the years. The BT issue was attractive to him, but only because of the price offered. "I intend holding on to what I have got. I do not think it is going to be worth the investor putting in huge applications. He will only lose out in interest," he said.

Only one applicant interviewed, John Simpson, a building worker, was investing his £400 with the express intention of making a quick profit.

"A lot of people I know say it has got to be a good deal. They have all been putting money into it. But I shall be selling inside of two months. There could be 20p a share in this for me."

TUC move to end coal strike

BY JOHN LLOYD, INDUSTRIAL EDITOR

MR NORMAN WILLIS, general secretary of the Trades Union Congress (TUC), will today launch a serious effort to bring the National Union of Mineworkers (NUM) back into talks to try to settle the pit dispute.

The TUC will be seeking to persuade the union to show more flexibility in negotiations with the National Coal Board (NCB) than it has before in the nine-month dispute.

Mr Willis – together with six other senior union leaders including Mr David Basnett, general secretary of the General, Municipal and Boilermakers Union, and Mr Bill Keys, general secretary of the print union Sogat 82 – will meet the NUM's three national officials this evening. They are Mr Arthur Scargill, the union's president, Mr Peter Heathfield, the general secretary, and Mr Mick McGahey.

The TUC's finance and general purposes committee – its "inner cabinet" – agreed yesterday to support Mr Willis and his colleagues. All the senior TUC leaders are anxious for a settlement and most believe the NUM will have to make concessions.

Last night's meeting of the committee was dominated by Mr Willis's report, the most forthright and pessimistic he has yet made on the dispute. He was particularly frank in his condemnation of violence.

His report accepted that at least 10,000 miners had returned to work over the past two to three weeks and that the Government and the NCB were not interested in resuming talks while their "drift back" to work strategy appeared to be working.

The NCB claimed that 975 miners reported for work yesterday for the first time since the dispute began, with particularly high turnouts in Scotland and the North-east of England.

The miners' leaders will be told in forthright terms tonight that the violence must stop. In his statement to the committee, Mr Willis said: "I believe that the present level of violence is doing massive damage to the NUM and the TUC. It was a miracle last week that people were not killed in Yorkshire.

"We cannot allow these acts of violence to be done in the name of trade unionism."

Senior TUC leaders last night gave a warning against any optimism that the various plans discussed openly by TUC leaders would find favour with both the NUM and the NCB. However, it is also recognised that the scale of damage being wreaked on the trade union movement, and the level of protests from trade unionists over the conduct of the strike, forces a radical step.

Discontent grows at pit deputies' union

BY OUR INDUSTRIAL EDITOR

TROUBLE is building up once more between the National Coal Board and the pit deputies unions Nacods, which might jeopardise the agreement reached between the two sides last month.

Relations between the board and the union at national level and in many regions remain embittered, to the extent that the board finds that many of the benefits it might have expected to gain from the "drift back" to work by miners have been negated by deputies' refusal to cross picket lines.

The settlement with the board meant the withdrawal of new guidelines specifying that deputies must cross picket lines, using the armoured "battle buses" supplied for working miners. Instead, the previous guidelines, which laid down that deputies could return home on full pay if they had tried and failed to cross mass picket lines, were agreed.

Because of that, deputies in Scotland, the North-east and Yorkshire, where many miners are returning to some pits, are for the most part not crossing picket lines. Production at those pits is thus unable to begin, since no coal may be cut under statute without a supervisory presence.

At the same time, other separate disputes are brewing, which are likely to be considered shortly by the Nacods executive.

● Union officials in the North-east claim that members who have refused to cross picket lines at Ellington Colliery have not been paid – in breach of last month's agreement.

● The union is concerned over remarks made last week at a meeting of the Coal Industry Consultative Committee, to the effect that the board could no longer guarantee that redundancies would be voluntary, in view of the continued deterioration of coal faces and roadways.

● The Nacods leadership has been angered by a decision of the Coal Board Staff Superannuation Fund to invest in British Telecom shares, seeing the decision by the majority of the managing board of the fund as a harbinger of privatisation in the coal industry itself.

News group in £82.3m bid for Link House

BY SUE CAMERON

UNITED NEWSPAPERS, publisher of the Yorkshire Post and of Punch, yesterday made an £82.3m agreed bid for Link House Publications, owner of the century-old Exchange and Mart, a national weekly advertising periodical.

The merger would give it a stronger and broader UK operational base that would go well with "our energetic growth in the U.S.," United Newspapers said yesterday.

The bid involves the offer of 247 UN shares for every 100 Link House shares, valuing each Link share at 753p. The cash alternative is 680p for every Link House share, with UN finding £10m from its own resources and Samuel Montagu, the merchant bank, underwriting the remaining £72m.

UN, which had pre-tax profits of £8.9m last year, explained that one of its prime aims was to expand in the UK into businesses that did not require a high degree of capital support. Link was a "natural fit" for UN's operations in Britain because of its "consistently strong performance, strong cash flow and lack of dependence upon heavy capital investment."

Link, which had pre-tax profits of £7.9m on a turnover of £30.4m in the year ending June 1984, publishes a number of consumer and business magazines and also has a non-fiction books division. Its biggest profit earner is Exchange and Mart.

All three Link divisions were profitable last year. UN said, however, that it believed its own selling and marketing expertise could bring about a further improvement in Link's operating results. UN added that its magazine division, which contributed £1.25m to profits last year, was becoming an "increasingly strong" earner. It believed that Link's magazines, which have been operating at unsatisfactory margins, would benefit from the merger. The combined magazine operation would create a "strong base for further growth in the UK."

Link will now operate as a new division within UN. Mr Clifford Jakes, Link's managing director, is to be invited to join the UN board.

UN's own interests include printing and retail shops in the UK as well as newspapers and magazines. In the U.S., it has a news transmission business in addition to trade and technical magazines.

Mr David Stevens, chairman of United Newspapers, said his group's bid was the culmination of a 2½ year courtship.

Exchange and Mart has been published since 1868, although in the last five years its circulation has started to fall. In 1979, sales were over 300,000 copies, while today the figure has dropped to 246,000. UN feels that better marketing and greater use of market research will enable it to reverse the Exchange and Mart decline.

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Less regulation urged for commercial radio

BY RAYMOND SNODDY

THE TIME may be right to look again at how Britain's commercial local radio system is regulated, the Economist Informatics consultancy argues in a new report on the future of radio.

After looking at countries where regulation has been reduced, the consultants say they found no evidence that standards have declined as a result. The report also found no conflict between the need to make a profit and serving the public good.

The report was commissioned by the Association of Independent Radio Contractors (AIRC) as part of a series of resolutions adopted earlier this year in response to the growing financial stress faced by many independent local radio (ILR) stations.

The report, which is being sent to both the Home Office and the Department of Trade and Industry is being accompanied by an AIRC statement. It argues that:

● There is no coherent Government policy on the future of radio;

● Piecemeal development – development of community radio alongside but not part of ILR – would be detrimental to the whole;

● The present system of commercial radio has to change to reflect a rapidly changing media market place.

The Economist Informatics group examined a range of regulatory options and the likely consequences. At one extreme the present "heavy" regulation could continue unchanged. If, however, at the same time nothing was done about the pirate stations in the large conurbations the situation would be "inherently unstable."

At the opposite end of the continuum regulation would be apart from the allocation of frequencies.

Under such a scenario, "provided any licence fee was kept to a minimum, and applications for frequencies were kept simple, there is no reason why all of the current onshore illegal operators should not become legitimate."

● The Attorney General has given his permission for his name to be included on a joint injunction designed to restrain south London pirate Radio Jackie from broadcasting. The joint action was sought by the legal ILR station in the area, Radio Mercury.

Radio Broadcasting in the UK, The Economist Informatics, Spencer House, 27 St. James's Place, London SW1A 1NT £70.

Midland finance house wins Nissan contract

By David Lascelles

FORWARD TRUST, the finance house subsidiary of Midland Bank, has won the contract to finance Phase I of Nissan's new motor plant in Washington, Tyne and Wear.

The £50m leasing facility will cover the entire expenditure on the project, including the buildings as well as the plant and machinery. The project qualifies for special regional development aid, and it will be able to claim full first-year capital allowances even though those are being phased out since the budget last March.

That will provide the Midland Group with some tax benefits, which it will pass on to Nissan in the form of lower financing costs.

Phase I of the project is for a plant that will assemble Nissan kits imported from Japan, starting in 1986. A decision on whether to proceed on Phase II to build a full-scale £350m manufacturing plant will be taken in 1987.

The Nissan plant is the first of its kind by a Japanese carmaker in the UK. The financing deal is a useful contract for Forward Trust, business of which has been affected by the budget changes. The company announced plans last week for a restructuring that will involve the closure of many branches and the loss of 320 jobs.

● Austin Rover yesterday insisted that it would suffer only some minor inconvenience from the loss of six managers at its Cowley, Oxford, plant, who have all been recruited by Nissan of Japan for its UK assembly operations, **Kenneth Gooding, motor industry correspondent, writes.**

AR had been expecting several Cowley junior managers to follow Mr John Cusnaghan, 38, formerly manufacturing manager at Cowley, who was appointed Nissan's production director.

He will be one of only two British directors at Nissan's Washington, Tyne and Wear, plant, joining Mr Peter Wickens, former director of personnel for the southern region of British Gas Corporation, who is now Nissan's director of personnel.

AR confirmed that Mr Cusnaghan was to be joined at Nissan by Mr Colin Dodge, 29, Cowley paint shop manager, who will be paint manager for Nissan; Mr Clive Griffiths, 35, Cowley manager of manufacturing timing, who will be Nissan's body manager, and Mr Clive Towl, 36, Cowley's production engineering manager, who will become Nissan's maintenance manager.

'Underestimate' of interest rates

By Max Wilkinson

INTEREST RATES will be significantly higher in the period up to the spring of 1986 than was assumed at the time of the budget, Treasury officials told MPs yesterday.

Mr Hugh Evans, the Treasury's chief forecaster, said that higher interest rates than expected underlay the Government's most recent estimate of the cost of servicing the national debt in 1985-86.

UK NEWS

Transport union fined £200,000 over strike

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE TRANSPORT and General Workers Union (TGWU) has been fined £200,000 for what a High Court judge described yesterday as "one of the worst cases of disobedience of the orders of this court that there can ever have been."

Giving the union 14 days to pay – after which it will face sequestration of its assets – Mr Justice Hodgson said: "If the orders of courts of law in this country are not obeyed, then the only result is an approach to anarchy."

The fine – the same size as that imposed on the National Union of Mineworkers last month – resulted from the TGWU's defiance of injunctions to call off the pay strike at Austin Rover, which ended last week.

Mr Alexander Irvine, QC, for Austin Rover, had told the court: "The stance of the TGWU is that it is above the law."

The union, he said, "deliberately threw down the gauntlet by declaring that the strike was official and that they had no intention of complying with the court's orders."

Later, the union, which boycotted the court hearing, declined to comment on the fine. It has, however, previously made clear that it believes that, as a matter of principle, it must stand by its local officials, whatever the cost to its funds.

It is unlikely that it will pay the fine voluntarily. The probability is that, on December 11 or thereabouts, sequestrators will be appointed to seize funds out of which to pay the fine.

Their task is likely to be considerably easier than it has been in the National Union of Mineworkers' case, where most of the funds appear to have been transferred out of the country.

The TGWU's assets are much larger, and would be less easy to disperse than the miners'. Also the TGWU is thought unlikely to add to its financial burden by wilfully increasing the sequestration costs, which will have to come out of its funds.

Unlike the NUM, its resistance to sequestration is likely to be passive rather than active.

In addition to the fine, the TGWU may expect to face a damages claim by Austin Rover which, under the 1982 Employment Act, might be up to a maximum of £250,000.

Mr Irvine said yesterday that the TGWU had given its members at Austin Rover positive encouragement to go on with the strike, despite the injunctions.

It was the principal union at Austin Rover, and the only one that had not come before the court.

On November 14 its executive had passed widely published resolutions that the strike had been called in accordance with its rules; that it was official; thet the injunctions should oot be obeyed; and that its general secretary, Mr Moss Evans, was not to sign cheques to pay any fines that might be imposed for contempt.

The strike had petered out towards the end of last week and there had now been a complete return to work. However, it had gone on, with varying degrees of support, for just short of three weeks.

"We would submit that the contempts by the TGWU are quite plain," Mr Irvine said.

The TGWU was one of six unions against which Austin Rover obtained injunctions on November 6. The company did not proceed with a claim against the electricians, whose leaders had publicly disowned the strike.

Last week, the company abandoned its contempt case against the General Municipal, Boilermakers and Allied Trades Union, the Union of Construction, Allied Trades and Technicians, and the Association of Patternmakers and Allied Craftsmen, accepting that they too had "disavowed" the strike.

The National Society of Metal Mechanics escaped contempt by proving that they had not been properly served with one of the injunctions.

Yesterday, after fining the TGWU, Mr Justice Hodgson went on to hear an application by Tass, the white-collar section of the engineering union, to discharge the injunction made against it on November 6.

The hearing continues today.

Acorn to diversify from home computers

By Jason Crisp

ACORN Computers, the fast growing British microcomputer group, is to embark on extensive diversification over the next 18 months that will reduce its dependence on the home computer business.

In addition to its recently announced range of business computers, Acorn is diversifying into terminals to receive satellite broadcasting, home control systems, electronic publishing and a low-cost desktop terminal that combines telecommunications and computing.

Acorn, which had sales of £93m in the year to July 1984, is largely dependent on the four-year-old BBC computer and the more recently launched Electron. To date, the company has sold over 400,000 BBC micros, which cost £399, and 170,000 Electrons (£199), and has just embarked on a £4.5m Christmas promotioo.

Acorn shares are traded oo the Unlisted Securities Market. Mr Chris Curry, managing director, says the company will probably seek a full Loodon Stock Exchange quotation next year. The success of Acorn's diversification will be crucial as critics think the company will be too dependent on bome computers in a flat market.

Recently Acorn announced that it was launching a series of eight business computers, although it is likely to concentrate oo two main models. Last month it also set up a subsidiary to sell interactive videodisc systems for industrial training.

The main new product being planned by Acorn is the "Communicator" or "C series" of terminals to be used for getting information from databases. The C series is expected to undercut the recently launched "One Per Desk" from ICL, which was developed in close cooperatioo with Sinclair Research.

Mr Curry says the C Series will cost between £500 and £800 without a monitor, and will be based on a powerful 16-bit microcomputer. Effectively it will be a low-cost, intelligent terminal that can communicates with high-speed digital telephone lines, cable television networks, and receive broadcast teletext such as Ceefax and Oracle.

Treasury firm on state spending

BY PHILIP STEPHENS

THE TREASURY re-affirmed yesterday its implacable opposition to the idea that rising unemployment could be reversed by a Governmeot-led boost to demand in the economy.

Mr Peter Rees, the Financial Secretary to the Treasury, said that a massive increase in the budget deficit would be needed to dent the unemployment total seriously.

"The consequent inflationary spurt and collapse in confidence would choke off any possible rise in output," be said.

"Governments cannot, in the long term, determine the total size of output and employment. The prime movers are the efficiency of the private sector and the pace of technical change."

Mr Rees, who was speaking at a conference organised by the International Herald Tribune, said the Governmeot was determined to restrain the growth of public spending because of the "inescapable" link between bigber taxes and higher spending.

If the growth in public spending were to rise by more than 1 per cent a year in real terms over the next decade, the tax burden would probably remain above the levels seen in 1978-79.

"If we are to have a thriving economy, we must aim to reduce the burden of taxation. We need to achieve a virtuous circle so that tax cuts cootribute towards economic growth, which itself allows us in turn to make more tax cuts," be said.

At the same time, the Government would cootinue its policy of removing unnecessary cootrols over markets and industry, of strengthening competition, and of removing rigidities in the labour market.

● Conservative Party critics of the Government's economic strategy were last night attacked for failing to put forward an alternative by Mr Teddy Taylor, the Conservative MP for Southend East, at a meeting in London.

UK NEWS

Anthony Moreton assesses the impact of £100m in regional assistance

Small companies gain from aid

THE £100M assistance for companies and environmental projects in steel, shipbuilding and textile areas announced yesterday has created an understandable air of satisfactioo in Whitehall.

Not only does it mainly go to small concerns – the route by which the Government wants to see industry and economic growth encouraged – but there is a strong likelihood that more money will be coming from the same source soon.

The European Community's Regional Development Fund (ERDF) has contributed £89m of the package with the UK Government funding the rest. It is probable that with the reshaping of European regional policy next year, more programmes in the UK will eventually be assisted.

The important aspect to yesterday's measures is that it is completely separate from the review of UK regional policy – to be announced by the Government *tomorrow* – e point emphasised by Mr Norman Lamont, Minister for Industry, and Sig Antonio Giolitti, European commissioner for regional policy, at the formal announcement yesterday.

One Whitehall official went so far as to describe the Brussels decision, which was agreed only 12 days ago, as "a very exciting development." The UK, he stated, was getting ERDF finance "in a way that will provide for the first time a range of grants covering every aspect of setting up and running a company."

The allocatioo of the money has been very carefully spread not only among the three areas but also among the four countries.

England will receive the lion's share, with £66m, but another £16m goes to Northern Ireland, £10.4m to Scotland and £8.7m to Wales.

On a subject basis, £38m of the ERDF finance will be spent on environmental programmes such as converting old buildings into suitable premises for small firms (up to 200 employees) while the other £51m will go towards making small firms more efficient. The Government's £12.5m will be used entirely to top up aid to small firms.

On an industry basis, steel receives £19m, £10m goes to shipbuilding and £60m to textiles, with the Government's topping-up being divided as appropriate when applications come in.

The important proviso is that none of the aid goes to steel, shipbuilding or textile companies, but only to companies located in areas that are producing something else.

A weaver in Bradford cannot be assisted. Nor could a redundant weaver wanting to set up e textile machinery plant. The redundant weaver would only be helped if he starts or is running a chocolate producing concern or some other, non-textile, activity.

The aim is to assist the restructuring of areas that have been hit by Community policies affecting the steel, shipbuilding and textile industry areas.

The money can be allocated in that way because it comes from the ERDF's non-quota section.

Under the fund as it operates at present – the rules change on January 1 but the £100m package is not affected, as it starts before then – 95 per cent of the ERDF is to finance national projects in one of the member states while the remaining 5 per cent, the non-quota section, remains to be spent on programmes rather than projects as the Commission thinks fit.

Four years ago, the ERDF assisted special programmes for the first time, *but on a much smaller level.* In 1980 the UK received £29m, of which the bulk (£23m) went toward improving the environment. The remaining £6m was divided between steel and shipbuilding areas, so this is the first time textiles have been helped.

The UK has done well out of this second tranche of Community non-quota aid. Almost all the money allocated to the shipbuilding areas has come to Britain and some 40 per cent of that for textile areas.

Brussels did not have a completely smooth run in getting the second tranche of assistance accepted. There was considerable opposition from West Germany, which was overcome when it was discovered that the Bonn Government was actually making such aid available to similar programmes but was funding it out of its own resources.

Most grants to small firms are expected to go towards buying professional *consultancy* advice and to be given in relatively small amounts. Whitehall expects between 20,000 and 30,000 applications before the scheme expires in March 1980.

Most of the grants range between 55 per cent and 70 per cent of the cost.

Business Improvement Services, a Department of Trade and Industry facility, will offer 55 per cent grants towards, for instance, the cost of a review of current marketing activities, the cost of translating market information and sales literature, or towards improving budget and control systems.

The 70 per cent rate might go towards feasibility projects leadiog to new product development and processes, or towards research studies to explore market potential.

In addition, 20 per cent grants, up to a maximum of £20,000, are available for new plant, buildings and machinery for concerns with 25 or fewer employees.

Consultancy advice, being grant-aided, is frequently not available within the areas to be assisted or, if available, is expensive. It might lead to a big expansion of consultancy concerns opening in them.

Curiously, the European Commission has deliberately excluded coal areas from such assistance. Given the structural difficulties facing coal in most EEC countries, that seems a curious omission. Sig Giolitti defended the position by saying there were other ways to help coal, although that industry was not suffering so much.

Government agency faces fresh fraud charges

BY ROBIN PAULEY

THE PROPERTY Services Agency (PSA), which manages the Government's £10bn estate, is again under investigation by the Fraud Squad's Public Sector Corruptioo Unit.

The PSA, which comes under the wing of the Department of the Environment, confirmed last night that five civil servants had been suspended from duty pending the police investigations into allegations of corruption.

The allegations under investigation involve building contracts for work on government property. The alleged corruptioo involves holidays for civil servants in Miami, Las Vegas and the Channel Islands, cash payments, lavish entertainment and free home improvements such as central heating and fitted kitchens.

The PSA has been plagued by allegations of fraud and corruption over the years and the latest claims will reinforce the arguments of those ministers anxious to disband it and make each government department responsible for its own property and maintenance needs.

The investigation by the Public Sector Corruption Squad comes at the same time as the squad continues its inquiries into allegations of widespread corruption by Home Office civil servants. Seven civil servants have been suspended from duty, all involved in the Directorate of Prison Industries and Farms. Some have been charged together with directors of three companies involved in the manufacture of toys. The investigations are likely to continue until at least the end of the year.

A year ago, the all-party Commons Public Accounts Committees said the state of affairs at the PSA remained "unsatisfactory." The "very serious" frauds brought to light in recent years were "intolerable in a government department," it said.

Between 1978 and 1983, 61 PSA civil servants were dismissed for their involvement in fraud and corruption worth £100,000.

Energy self-sufficiency 'means costlier, less secure supplies'

BY IAN HARGREAVES

IF BRITAIN pursued a strategy of energy self-sufficiency, it would result in higher fuel costs and less secure supplies, according to a study by two economists published yesterday.

Professor Colin Robinson and Eileen Marshall of the University of Surrey argue that the British coal industry offers a cautionary tale against energy self-sufficiency policies.

The three serious disruptions to coal supplies in the last 15 years and repeated threats of industrial action "have largely stemmed from the considerable bargaining power which a de facto self-sufficiency policy has given the British coal industry," says the report.

The argument that indigenous supplies of energy are more secure than foreign supplies is bogus, the authors say, because a self-sufficient country "would lose the diversification of supply sources which foreign trade brings."

The study, the final part of a six-volume series by the British Institutes' Joint Energy Policy Programme (run by the Policy Studies Institute and the Royal Institute of International Affairs), challenges, however, the notion that governments can do nothing to improve upon the operation of markets in energy.

UK FUEL CONSUMPTION AND PRODUCTION* (m tonnes coal equivalent)

	1983	1990	2000	2010	2020
Consumption	328	345–381	365–401	385–441	415–485
Production:					
coal	119	95–115	75–108	75–108	65–105
oil	195	137–153	85–119	68–129	17–43
gas	56	51–67	40–60	29–59	22–44
nuclear	18	25–33	32–42	50–76	50–129
hydro	2	2–4	2–4	2–4	2–4
renewables	–	0–2	2–6	5–21	10–40
Total	390	312–372	246–376	231–371	191–341
Self sufficiency ratio	1.19	0.9–1.1	0.8–1	0.6–0.9	0.4–0.8

*Assuming unchanged government policies

A wise government, the authors argue, would seek to maintain "a judicious balance between imports and home supplies (and diversified sources of each) well into the future," even if that required government investment in conservation, deferment of some indigenous energy output, such as North Sea oil, and storage.

The difficulty, however, would be to identify and quantify long-term social benefits and to persuade politicians and Treasury civil servants with short-term perspectives to take note of them.

If that could be achieved, there would also be some benefit in "market improving" actions by governments in smoothing out the economic bumps as Britain switches from being a net energy exporter to importer when North Sea oil runs down.

Despite those arguments, the authors note that it will be possible for many years for the UK to attempt a policy of energy self-sufficiency.

They have therefore assembled pieces of research to produce energy self-sufficiency projections in future years, assuming unchanged government tax and other policies.

"The results show that Britain's self-sufficiency ratio of around 1.19 in 1983 will start to fall in the early 1990s, but that it might still be as high as a ratio of 1.0 – in other words, the country would remain broadly self-sufficient – at the turn of the century. In the first 20 years of the next century, the authors expect the ratio to fall to between 0.4 and 0.8.

The Economics of Energy Self-sufficiency. British Institutes' Joint Energy Policy Programme. Gower Publishing £16.50.

TUC put under more pressure on ballots

By Philip Bassett

THE TRADES Union Congress (TUC) is coming under further pressure from another of its affiliated unions to drop its opposition to unions applying for Government money to fund unions' postal ballots.

Leaders of the electricians and engineering workers' unions are to be questioned informally soon by Mr Norman Willis, TUC general secretary, about their decisions to try to seek government money for ballots before strike action or for the election of union officers. The white-collar union ASTMS is asking the TUC to sanction widespread application for funds.

Now a further organisation, the small United Road Transport Union (Urtu) is pressing the TUC in a letter from Mr Jackson Moore, Urtu general secretary, to alter its policy and take the mooey offered by the Government.

Urtu, which has about 26,000 members, organises road haulage drivers in a sector dominated by the left-led Transport and General Workers' Union, whose opposition to changing TUC policy was illustrated yesterday by a £200,000 fine levied against it by the High Court for contempt of court in the recent Austin Rover dispute.

The appeal from the Manchester-based Urtu is a further indication of the growing pressure for a change from a minority of TUC unions, although Urtu is small.

Mr Arthur Hughes, Urtu assistant general secretary, said yesterday that the union was changing some of its own practices on pre-strike ballots and on the election of the union's executive committee, to comply with the terms of the Government's recent Trade Union Act.

He emphasised that the union would continue to conform with the TUC's policy of opposition, and said the union felt that it was only "common sense" for the TUC now to alter it, and to allow unions to apply for government money.

Like ASTMS, the union is emphasising that opposition to government proposals at the Bill stage is one thing, but that once such ideas have become law, opposition becomes much more difficult in practical terms.

Aluminium smelter to use customers' ingots

BY IAN RODGER

A £44m secondary aluminium smelter is being built at Wrexham, North Wales, by a new company, Deeside Aluminium.

The venture, which comes against a strong trend of closures of secondary smelters in recent years, is based oo a concept new to Britain's aluminium industry – tolling, that is, processing customer-owned ingot and scrap rather than buying and selling metal.

Mr Lorne Bell, founder and managing director of Deeside Aluminium, said: "We will be a service business. Our customers will supply the raw materials, we will supply the added value."

Deeside hopes to succeed where others have failed by aiming at the extrusion market rather than the foundries. Extrusion ingot has to be of very high quality and so most of it is now made from primary aluminium. Deeside is installing advanced melting and filtering equipment that will enable it to produce extrusion ingot from scrap, which is a significantly cheaper raw material than primary metal.

Mr Bell, a former Alcan Aluminium executive, said Deeside's tolling charges should be less than £200 a tonne for scrap and about £150 a tonne for primary metal (pig).

The smelter will employ 50 people and should pour its first ingot next summer. Two large aluminium extruding groups, Amari and the Pillar Aluminium subsidiary of Rio Tinto-Zinc, are expected to take up to half its 30,000-tonnes-a-year output. The UK extruding industry consumes about 180,000 tonnes of aluminium a year, of which nearly half is imported.

BCal to cut winter fares to Brazil

By Michael Donne

BRITISH Caledonian Airways, which hands over its South American route network to British Airways next April 1, is slashing fares to Brazil this winter.

It is offering a new 21-day Advanced Purchase return (Apex) ticket that will cut the return fare from London to Recife from the present £624 to £500, to Rio de Janeiro from £670 to £550, and to São Paulo from £685 to £570.

The cheaper fares will be valid up to March 31, the last day before BA takes over.

The route exchange – BCal is taking over BA's Saudi Arabian operations – was agreed earlier this autumn when the Government announced its decisions on the future shape of UK civil aviation.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Going public in France

Entrance of a high flyer

David Marsh reports on the debut of MB Electronique

MICHEL BRUNSWICK, a 49-year-old electronics specialist who started his own business in a garage 12 years ago, has just become a millionaire by selling part of his shareholding on to a highly receptive stock market.

Only his Christian name gives the game away. The episode has happened not in the U.S. but in Socialist-ruled France. And although the extraordinarily successful flotation of Brunswick's FFr 170m (£15m) turnover company, MB Electronique, is still hardly e routine occurrence, it is indicative of a change in French attitudes towards the advancement of industrial entrepreneurs.

Brunswick, who confesses he has not yet thought about what to do with the roughly FFr 20m (pre-tax) proceeds — £1.8m — from his overall share sale, says public opinion now looks more kindly than it did a couple of years ago at the job of a *chef d'entreprise*. "There is a recognition that be has to get on with his job—you need profits for investment to go ahead. There is no mystery about it."

Brunswick's company has carved out a niche in distributing to French companies and laboratories highly specialist electronic instruments, mainly testing and measuring equipment imported from the U.S.

In spite of the sluggish French economy and the rise in the dollar—which has considerably increased list prices in francs—MB Electronique has boosted orders by 35 per cent this year and expects to increase group profits by nearly 30 per cent for 1984 to an estimaled FFr 17m.

The flotation in October of 10 per cent of MB's capital led to one of the most over-heated scrambles yet seen in the 20 month history of the unlisted sector (*second marché*) of the French stock exchange.

Investors lodged initial orders for 5m shares out of tha placing of 29,750 shares at FFr 500 each. Even after subscribers' money was held for a week to deter excess applications, total demand at a subsequently re-set offer price of FFr 650 still totalled 1.4m, resulting in allocations being scaled down to 2 per cent of applications.

In line with the performance of a number of other shares introduced under similarly feverish conditions on the *second marché*, the MB share price bas since risen to over FFr 900.

As a resnlt of the flotation, and ancillary placements carried out by the two nationalised banks managing the operation, L'Européenne de Banque and Credit Commercial de France, 15 per cent of MB's capital is now held by the public, with 1 per cent owned by members of the 125 staff and 5 per cent retained by the two banks.

Brunswick, who set np the company in 1972 with six friends and FFr 100,000 in mainly borrowed capital, still has 60 per cent, having unloaded a total 13 per cent, with three other founder shareholders retaining 19 per cent. They inclnde his brother, Jean-Pierre, and Michel Guerin, who has remained with the company as assistant managing director under Brunswick as chairman.

Brunswick was canvassed at the beginning of the year by L'Européenne de Banque (before nationalisation, the Rothschild bank) as part of the bank's efforts to find potential candidates for the *second marché*.

He had already been considering selling part of his shares. Bnt Brunswick says the aim of the operation was not so much to realise a personal profit —"You reacb a point where money has less importance"— but rather to give the company greater access to outside finance and generalty to boost motivation, both of himself and his staff.

MB distributes in France the products of about 40 mainly U.S. companies, led by two specialist gronps John Fluke and Data I/O, which together accounted for 44 per cent of the company's turnover last year.

It *has* assured *growth* by building up business in systems, peripherals and high-freqnency components, as well as taking stakes in newly created specialised companies in other fields of industrial instruments. Additionally, after-sales maintenance activity is now growing in lina with the total "pool" of installed equipment.

In a sector characterised by generally high margins, MB's only significant setback up to now has been its taking of o minority stake in 1982 in the once high-flying Grenoble micro computer company, Symag, which was forced to file for bankruptcy this summer. The company has, however, made full provisions for Symag losses.


Michel Brunswick: expects to increase profits by nearly 30 per cent

Growth bas been financed mainly through internal revenues, a result of low capital spending and rigorous control of stocks, accomplished by a computerised In-house system.

The share flotation will, however, give the company the possibility of financing future development elther through a capital increase on the bourse or an offer of sbares to fund acquisitions, says Brunswick. Although he has no firm plans for expansion, his idea is to make further progress in building up a group of electronics companies around the MB nucleus, possibly through expanding in the optical fibres, telecommunications, robotics or computer assisted design fields.

Brunswick, who sits in his office near Versailles, west of Paris, surrounded by sales performance plaques from his U.S. clients, with e computer terminal, a coffee machine and his Irish setter dog all within arms' reach, says, however, that he has no intention of deserting the professional electronics market.

Previously a director of another specialised instruments company—a job which he says gave him sufficient "maturity" to set up his own business—Brunswick bas now been in the electronics equipment field for 23 years.

"We have created e team and a sales force in an area we know well." The idea of diversifying Into consumer sectors holds no appeal. "We are not seeking growth at tha expense of profits."

Brunswick says the bourse quotation and the publicity given his company in the financial press create a certain "pride" among employees. But it also lays down the need for "prudence. Before, we were accountable only to ourselves. Now, we have shareholders whom I do not know. One is not allowed to disappoint them."

The queue lengthens

FRANCE'S unlisted stock market or second marché, closely modelled on the London unlisted securities market set np four years ago, has been an unqualified success since opening its doors in February 1983.

A total of 46 mainly small- and medium-sized concerns have floated shares on the market since then, under new more flexible rules which (as in London) allow companies to bring to the bourse a minimum of 10 per cent of their share capital.

The pace of new introductions has settled down to around one a week, both on the Paris Bourse and on n number of regional stock exchanges (Lyons, Lille, Bordeaux, Marseilles) which have been revitalised by listings of locally important companies.

Apart from the spectacularly over-subscribed flotation of MB Electronique, other recent new listings include bottle-maker Pochet and spirits group Marie Brizard. Between eight and ten new listings are expected between now and the end of the year.

A large number of newly floated companies bave been in consumer and leisure sectors, with electronics concerns Sourian and Touna Electronique, along with MB, the only companies so far directly part of the "high technology" sector.

CCMC, a fast-growing computer service group geared particularly towards accountancy work, is however coming to the Lyons second marché at the end of this month. It is the first of France's burgeoning battery of software companies to seek such a listing.

Interest in the unlisted market has been bolstered by the bealthy tone of the stock market over the past two years (the Paris stock exchange index has risen over this period by more than 70 per cent) and increased keenness by small companies to diversify sources of finance.

From the investors' point of view, the succession of small companies to have come to market has helped satisfy demand for new equity placements. The French stock market, starved of introductions for many years and deprived of heavyweight stocks by the 1982 nationalisations, has been in urgent need of new blood. With only about 2 per cent of French companies quoted, a vast reservoir of potential second marché entrants remains to be dredged. Banks are becoming much more competitive tn prospecting for new candidates.

As a sign of the feverish and often downright speculative reception of new issues on the second marché, out of around 20 introductions in the first nine months of this year, 10 showed gains compared with their initial flotation price of more than 15 per cent (ranging up to 133 per cent) and only two registered a price fall.

The HOW TO of...

PRACTICAL PRICING

An analytical approach to testing profitability

PRICING should be tackled from two directions: from the point of view of the marketplace and from careful analysis of what it costs to make or provide what is for sale. What any business should not do is use only one approach: it may indicate the right direction in which to move the numbers bnt to find the point at which to fix the price requires another bearing from e new position.

The marketplace approach consists of estimating how mnch people will pay for what is on offer. The general rule is that the price should always be the maximum the market will bear bnt any business should look at what its most expensive competitor is charging and see, too, which is cheapest. This will give a range of prices that people will pay.

From this pick a price and estimate the volume of sales that can be achieved. Obviously, the higher the price, the harder it will be to sell. The analytical approach should now be used to test for profitability.

Start with the total cost of raw materials, dividing this by the estimate of sales volnme to get the "unit" cost of what has to be bought in to make or provide each thing for sale.

Now work out unit labour costs by dividing the gross wages bill (remembering to add 15 per cent for employer's National Insurance contributions) by the same expected sales volume.

Do a similar sum for overheads and add ell three unit costs together. This is what each item will have to be sold for just to break even. Now add e reasonable profit margin and compare this figure with what you think people will pay.

Making losses

The method works equally well when pricing new products or services, when budgets ere used, or in an existing business, using current management accounts or the latest historical ones. Many businesses — big and small — have given themselves quite e shock by doing this and have discovered that they are making losses on some items.

That will not be the case, of course, if the "marketplace" price is much more then that derived from unit cost analysis. But this should be no cause for smugness; an alert competitor doing a similar exercise will soon start undercutting those who rest on their laurels. Most small businesses are notoriously unheedful of competitors' activities until it is too late. Vigilance pays.

For most businesses the "analytical" approach usually reveals that profit margins are, et best, much tighter than anything hoped for. The problem then is how to get away with charging as much as you dare while screwing down those unit costs.

Here, the value of analysis reveals itself, indicating areas for action within the business that will help develop competitiveness. More than likely, however, most small businesses will be oble to do little about raw materials costs because they usually buy insufficient to earn significant volume discounts.

And since overheads can only be screwed down so far, the only area left in which unit costs can be attacked is labour. In other words, all those speeches by politicians about productivity, prices and competitiveness are as applicable to the small business as to British Leyland.

With pricing pressure intense, this means, in practical terms, always striving to produce and sell more et ever lower unit labour costs. Forcing thet realisation on yourself and your workforce (try showing them the figures) is an important reason for looking et prices analytically. Not only is it sobering and a brake on over-optimism, it drives home the relationship between costs and prices and what any business hes to do to live with market forces.

Ian Hamilton Fazey

In brief...

MEMBERSHIP of Business in the Community, the charity formed by the private sector to encourage enterprise agencies and small business growth, has now topped 100. Newcomers include Bovis, Citibank, Dixons, National Girobank, the Post Office, Rank Xerox, RTZ and TSB. The latest batch of secondees has included managers from Unilever, Ranks Hovis McDougall, and Grand Metropolitan.

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THIS WEEK the National Westminster Bank is producing a management aid aimed at helping its small business customers. "A NatWest guide for small businesses" contains two booklets —"Start up and go with NatWest" for those setting up a business, and "Know your own business" — and also two copies of a cash flow analysis sheet tucked into a folder in the back cover.

Each sheet covers a six-month period and bas standard headings for receipts and payments. The months are split into "projected" and "actual" columns.

NatWest wants its managers not only to encourage customers to fill in the "projected" columns but to report back every three months with "actuals" completed. Bank manager and customer could then discuss why any particular figure was at variance with projections.

A point to note about NatWest's package is that cash forecast sheets are exactly that: they do not relate current sales to current costs but current receipts to current payments, which is not the same thing. It is, of course, what the bank needs, but not necessarily the company, for which management accounts are much more important.

However, without management accounts it will probably be impossible to explain variations from forecast, so the NatWest's booklet will probably force customers to introduce the other necessary controls.

The guide is available free to NatWest customers but a charge of £1.75 will be made to non-customers for "Know your own business."

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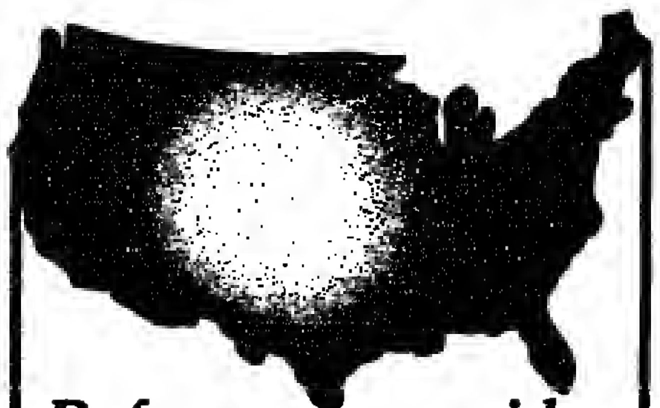

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TECHNOLOGY

EDITED BY ALAN CANE

INDUSTRIAL MARKING ADOPTS LASERS AND INK JET SYSTEMS

Computer age comes to labelling

BY GEOFFREY CHARLISH

MARKING or labelling items for identification or dispatch in industry and commerce is being speeded up by the application of "non-contact" technologies like laser marking and ink-jet printing, in conjunction with microcomputing.

Problems range from the publisher who needs to put a different address on the wrapper of each copy of a magazine, to the food and drink industry, which is now compelled to put "sell by" dates on products.

Companies including Bird's Eye Wall's and Findus are laser-coding frozen food packs. There is also growing use in breweries—Heineken and Bass have installed machines to put dotes on bottles.

Organisations like building societies and insurance companies have equivalent paperwork problems. In a recent trial run for Abbey National, Moore Paragon was able to produce and mail 56,000 personalised insurance notices in nine hours using ink jet/computing techniques.

Ink jet printing was pioneered by Cambridge Consultants (CCL) in the UK and is offered by such companies as Domino Amjet (which arose out of CCL), GEC Mechanical Handling (which has taken over A. B. Dick), and Willett International.

A variety of machines is available. One of the A.B. Dick Videojet systems, for example, allows variable information to be printed on publications, catalogues, order forms and coupon inserts using equipment forming part of the bindery line.

Videojet is used by many postal administrations to impress phosphor dots on envelopes for automatic sorting machines. Promotion Impressions of Acton use it for the direct conversion of magnetic tape addressing data into printed addresses for personalised mail.

Ink jet printing of complete business mailing forms is offered as a service by Moore Paragon in London using its Compurite system. Customers provide a magnetic tape which is used to imprint the variable items like money amounts, names and addresses on either side of a sheet in any position and style. Six banks of heads can work simultaneously. Computer handles the whole operation from data to mailing.

The Willett/Printos Marsh system distributed by Signode of Newbury concentrates on impressing larger 7 x 5 dot matrix characters (up to three inches high) on bigger cartons and crates as they move past on conveyors. A. B. Dick offers similar equipment.

Twinings, the tea firm, is using units from Domino Amjet, Cambridge, to imprint "sell by" dates and the names and addresses of agents in various languages for exported products. Ink jet characters 2.5 mm high are applied at up to 60 boxes a minute.

Much of the basic work in laser printing was done at Hull University under Professor Stuart Ramsden. He formed Laser Applications in 1979 to make machines for research use and that company has since spawned Laserprint.

Speeds from 75 to 1,500 impressions a minute are possible with Laserprint. For example, it can deliver a three line 12 digit code on to a carton in a millionth of a second. Marking areas can be up to 14 mm square. The company has supplied systems to Elida Gibbs, Leeds, for cosmetic container coding and Ruddles Brewery, Rutland, to code beer bottles.

Cryo Physics of Oxford, offers a similar machine, Lasermark, operating at 600 prints a minute, while the Laserbrand unit from Laser Applications, has five versions with speeds from 180 to 1,200 impressions a minute.

Laserbrand lists some 30 customers, including Inmos, Philips and STC which are marking semiconductor cases and cables. Drug companies are making tiny identification marks on individual capsules.

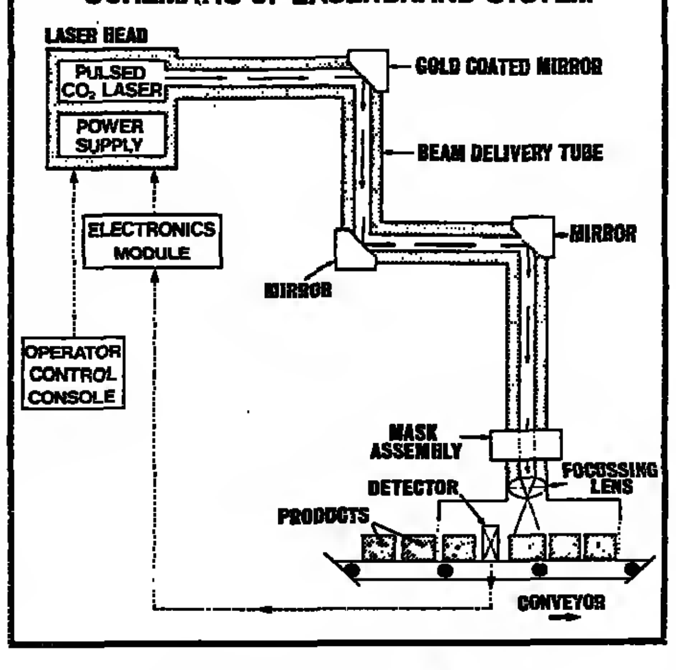
Conventional rolling wheel methods (Lawtons, Liverpool for example) may still be more cost effective in many industrial applications, or hot foil printing. Whereas a non-contact machine could cost up to £10,000 or so, only a half to a third of that need be paid for conventional machinery.

Where ordinary product labels have to be applied to thousands of jars, bottles or cartons on high speed lines, Willett, for example, offers a system that takes labels from a pre-printed roll and "blows" them on to the product by air pressure.

But some applications defy mechanical automation altogether. The butcher in a supermarket, for example, still has to apply labels to variably-shaped meat packs by hand, although systems from Avery, for example, will weigh and wrap and produce the label ready to stick on.

In supermarkets the production of shelf edge labels for use when a price change occurs, is increasingly the province of special microcomputer-controlled printers.

SCHEMATIC OF LASERBRAND SYSTEM



PRINTING TECHNIQUES

Ink jet printing is "contactless" and does away with rollers or any other physical contact. Instead, a stream of minute ink droplets from a tiny pressure nozzle are accurately deflected on to the printing surface to form characters or graphics as the printing surface passes by.

Usually these deflecting forces are produced by giving each drop an exact electric charge so that, when it passes between a pair of charged deflector plates, it lands in exactly the right spot. Other systems use variably-pulsed pressure nozzles.

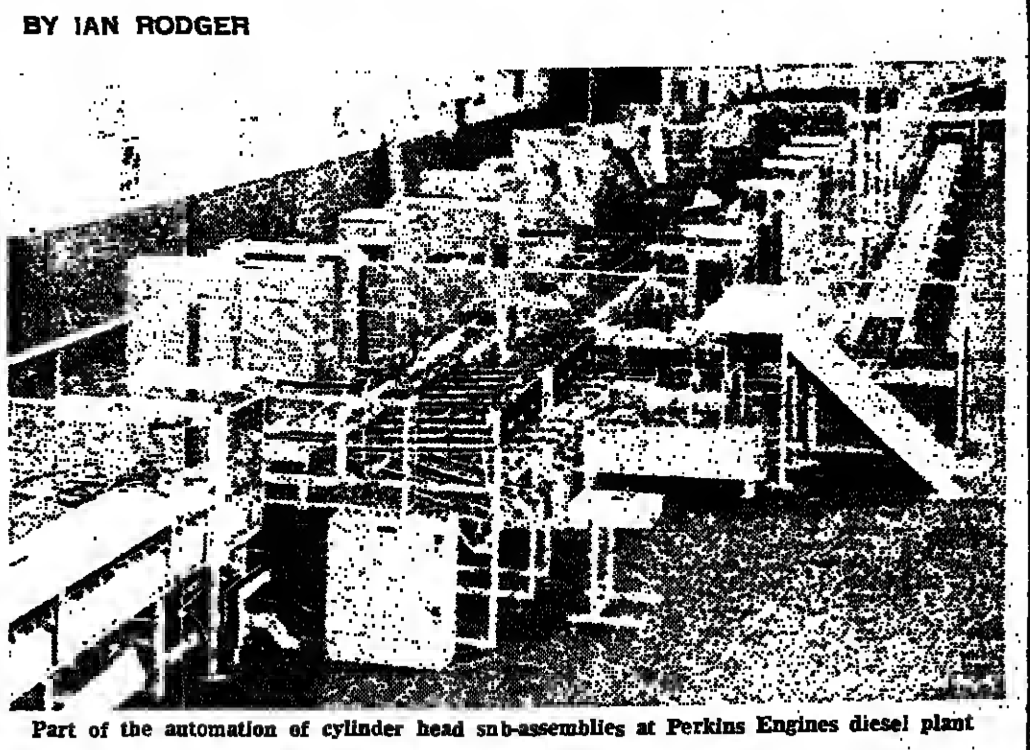
Because the deflection can be instantly controlled by a computer, what is printed can be instantly changed. Furthermore, almost any surface, flat or otherwise, can be imprinted and the process is fast. Earlier problems with nozzle clogging are being overcome: Cambridge Consultants for example, recently announced new formulations for inks and filters.

In laser printing, heat energy in the form of high intensity light is directed at a coating on the printing surface, which is selectively removed to form characters by passing the light through a stencil before focusing on to the printing surface, so the message is only alterable by exchanging stencils. But the process tends to be cleaner operationally and also tends to produce better print at high speed. Uneven surfaces cannot be printed.

ADVANCED MATERIALS HANDLING SYSTEM UNVEILED

Perkins spends £3.5m on automated engine plant

BY IAN RODGER



Part of the automation of cylinder head sub-assemblies at Perkins Engines diesel plant

PERKINS ENGINES, the leading diesel engine maker, has unveiled two showcase factory automation projects at its Eastfield plant in Peterborough.

● The £2.5m storage and retrieval system for engine components is one of the most advanced materials handling systems in Europe, with 14 automated guided vehicles (AGVs) shuttling arriving components to automated racking systems and from there to delivery points for the assembly line, all under computer control.

● A £1m assembly line for cylinder heads is flexible enough to handle three, four or six cylinder models and improves the quality control of valve sub-assembly.

Mr John Tower, manufacturing director at Perkins, said the projects were aimed not at creating showcases, but at improving the company's reliability to the customer. "We have spent £3.5m on our customers," he said. Although Perkins makes roughly 1,000 engines and engine kits a day, customer orders come in a wide variety of specifications. Both systems would enable the company to respond more quickly to customer orders.

They also offered the company considerable savings. The materials handling system, supplied by BT Rolatruc of Sweden, was designed to enable the company to reduce stocks of purchased components by about £1m. It also reduced handling operations. Just two pick ups and set downs were now needed to take a component from the receiving bay to the production line. Previously, an average of 20 pick ups occurred.

Now that the system, which keeps track of stocks of 8,000 different parts, had been running for a few months, Mr Tower thought it would ultimately yield considerably greater savings.

The assembly system, supplied, by Fairey Automation had capacity for working on 55 heads an hour in a random mix of sizes. Typically, 70 components on a four-cylinder head would be assembled and the result tested in about 16 minutes.

Now, about 5 to 7 per cent of head assemblies were defective but the defects were often not found until the engine was assembled when repair was expensive. Automated inspection equipment on the line, including gauges for valve head depth and a leak testing machine, should catch virtually all defects at the sub-assembly stage.

Mr John Devaney, managing director, said that flexible automation was now a major part of the company's manufacturing strategy. Further projects were under way but these would be revealed, as in these cases, only when they were up and running.

Perkins, a subsidiary of the Massey-Ferguson farm equipment group, has spent over £50m on new plant and equipment at its Peterborough plant in the past five years. The company's turnover last year was £244m.

Database

Chemical computer on-line

A COMPUTER based chemical information system is about to make its debut. Run by the Royal Society of Chemistry, it will carry facts, figures, reports, news and comment about the chemical industry.

Eventually, the society hopes to have 50,000 entries on the computer which will be updated weekly. Much of its information will come from publications, stockbroker reports and government literature.

The society obtained a £95,000 grant for the system from the Department of Trade and Industry. Three companies are offering the service — Unilever Computer Services, Pergamon Infoline and Telesystems Questel. More details from the society on 01-631 1355.

Treatment

Removing iron

A MATERIAL which can remove iron from water is available from Cole Polymers in South Croydon, Surrey. When used in a simple filter the material, which is a natural mineral, can remove iron concentrations of up to 10 parts per million.

The company says that there must be sufficient dissolved oxygen in the water to maintain the medium. Cole Polymer says that the process is particularly applicable where concentrations of iron in the water cause problems in manufacturing paper, textile and food.

THE ARTS

Gallery Round-up/William Packer

A heavy crop of figurative art

If we are to understand anything at all of the latest painting we must look to the void, or rather the not-so-void from which it sprang. For though the painting that has been causing so much excitement, and fluttering of cheque books, these few years past has been for the most part figurative—that is to say concerned with imagery that refers directly, if at a certain remove, or symbolically, or grotesquely, to what anyone of us may recognise in our experience of the seen world—it has never been the case that such figuration has in any sense been revived. There being no revival must imply a continuation within a common tradition not only of practice but of standards, against which it is quite fair to set what is now presented to us to see how good it is and how bad.

It so happens this season that while we have all been preoccupied with more obviously block-busting stuff — Stubbs, Matisse, the Turner Prize and what-have-you—the private galleries have been full of figurative painting by artists young and old who have been working steadily through all the fuss of abstraction, minimalism, conceptualism and now the New Spirit and the trans-avant-garde. To say that their work is excellent and worth serious consideration is not necessarily to suggest they be shot into the firmament, to take their place among the new international élite—but it does no harm to remember that artists move and develop at different rates, and present obscurity is no bar to future eminence.

There have been many such shows, and if John Houston at Mercury, Peter Coker (Gallery 10), James Robertson (Christopher Hull), June Redfern and Adrian Wiszniewski (AIR) have all by now passed unfortunately beyond review, others may still be caught and the pattern looks set to continue for some time yet. The most significant perhaps of those still on remains at Fischer Fine Art but only until the end of this week (November 30). Karl Hubbuch was a German painter, contemporary of Dix and Grosz and Schlicter, and he flourished briefly in the twenties, first in Karlsruhe and Berlin, then in Paris. But like so many artists he was constrained to teach, only his fate was to be thrown out of work by the Nazis. He was reinstated after the war, worked on through a long retirement, and died in 1979 at the age of 88.

Interest in him revived somewhat in Germany in the sixties, and became more general in the seventies as the world woke up to the *Neue Sachlichkeit*, the New Realism in German painting that developed out of Expressionism in the twenties. It has become clear, through a number of major international exhibitions in recent years, that Hubbuch was one of the most interesting and gifted of the artists who figured in that movement; and yet this is the first show devoted to his work to be seen in London, and virtually the first abroad.

By a happy chance, one of his major paintings of that Weimar period is now hanging in the Royal Academy, in the Thyssen Collection, alongside works by Beckmann, Dix, Grosz, Schad, and Schlicter, and Fischers have any number of studies that are related and relevant to it. For Hubbuch was the most essentially graphic of the group (Grosz perhaps apart, whose work in any case was always more overt in its grotesquerie and social comment) and thus to see his drawings is to see the artist clear and whole. There are paintings too but fine as they are they hardly move beyond the condition of study or sketch, the paint loose and fluid and freely worked, the brush-stroke a rapid, cursive laying-in across the surface. The drawings are alive with the same energy, but held more taut and sprung, the hard line of the pencil and the softer stroke of charcoal alike, clean, swift and incisive, and above all, even at its lightest, most particular. There are two etchings downstairs—which is a slow and careful medium—both unfinished, that catch it all.

One of Harry Holland's watercolours at the Ian Birksted Gallery

Which leaves space for little more than recommendations here and there. Harry Holland is showing his new paintings at the Birksted Gallery (37 Great Russell Street, until December 22), with every sign that as he takes more risks with the work, opening up the surface, working less obliquely from his model, and with less insistent a literary reading of incident and social drama, so it grows more oddly powerful, ambiguous and strange. There is still the old pregnant immobility in his imagery, most notable in three large and uncompromising nudes, but palette and hand are lighter now, and soon perhaps we shall begin to see in paint the freer statement and more atmospheric space that we know in the drawings and prints that Holland has already shown, quite recently, with Garton & Cooke at the Edinburgh Festival.

South Hill Park at Bracknell is an art centre and as such an admirably lively and busy place, but as with all such beasts, whether through thoughtlessness or misplaced priority, it makes the visual arts feel insecure and constrained to fight their corner rather too hard, which wastes money as well as energy. It has been lucky, however, in its curators, who have long enjoyed the support of first-rate artists, and its latest show is one of real distinction. Ian Potts is by no means as well known as he deserves to be, and until he showed at Morley earlier this year, had hardly been seen in London. He is quite simply one of the best water-colourists now working in this country, with an extraordinary command of scale and weight, which are not always thought of as the natural qualities of the medium. It is by what the artist does, not by the medium he chooses, that we should value his work, and with Potts it is very much the case that "water-colourist" is bare description, not subtle condescension at all.

His exhibition is called "Four Views" (until January 6), and it includes paintings of the Carrara Quarries, the Acropolis, the landscapes and monuments on the banks of the Nile, and the French provincial countryside. The Carraras and Parthenon works are especially impressive, broad, free, monochromatic statements of a wonderful assurance. He asked me to write a brief note for his catalogue, and I was happy to do so.

Karl Weschke's exhibition of new paintings and related drawings is in its last week at the Redfern Gallery (November 30), and again we have a case of an artist whose work is founded in drawing, and whose drawings are often the final, the definitive statements, tying up the ends that the paintings have unravelled, explored and left loose. The paintings have an iconic simplicity to them, the drawings a fine energy. The far west of Cornwall has kept Weschke too close to itself for too long.

Finally a real and rather impressive curiosity. Firmin Rocker was born in the East End before the First World War, grew up in Germany between the wars, and has spent many years in America, though he is back here now. His subject is the City and the city life, a city inhabited by silent figures incommunicado, waiting forever together but apart, as in Hopper or Delvaux, perhaps for the train to come. His work is to be seen at Thelma Watt (until December 8 — Thursday to Saturday 3-6 pm, otherwise by appointment; 18 Bartholomew Villas, NW5 — 01-267 9549).

Haitink's early arrival at Covent Garden

Antony Thorncroft

There was much news, good and bad, from Sir Claus Moser, chairman of the Royal Opera House, Covent Garden, when he introduced the 1983-84 annual report yesterday.

On the credit side Bernard Haitink is taking up his appointment as music director, in succession to Sir Colin Davis, a year earlier than planned, at the start of the 1987 season, and is being joined by Jeffrey Tate as principal conductor of the Royal Opera, from 1986, and by Eva Wagner-Pasquier as the first opera director in the history of the house.

Less positive were Sir Claus's conclusion that the Priestley Report, which last year gave Covent Garden a fairly clean bill of health and recommended more cash over three years, was not being implemented by the Government.

Extra money was forthcoming in the financial year under review, enabling Covent Garden to break even on a turnover of £20.9m, but Priestley's suggestion that aid for the next two years should be raised in line with the Average Earnings Index does not now look as if it has been taken up by the Government. Although its overall arts budget has been unexpectedly increased by £20m in the 1985-86 expenditure figures, released earlier this month by the Treasury, the rumours are that the Arts Council, when it receives its grant next month, will not be able to raise its support to its clients at all generously, and that Covent Garden will be back to pleading financial stringency in its annual confrontations with the Press.

Covent Garden is trying to implement Priestley's suggestions of cutting costs by £600,000 in two years' time, and the appointment of Eva Wagner-Pasquier is in response to his criticisms that financial controls ought to be more strictly "targeted."

Sir Claus is keen to raise revenue rather than to concentrate on reducing costs to avoid a deficit. He reported a substantial rise in sponsorship from companies and Friends of 59 per cent, to £1.5m, but this is still just 7 per cent of expenditure. On the other hand this money has financed virtually all the season's new productions: all but £200,000 of the £677,154 cost of new opera productions and refurbishments came from sponsorship, and in ballet the proportion was even higher.

Most of the new productions were brought in from other opera houses but this does not necessarily cut the cost—*Esclarmonde*, with Joan Sutherland, which came from San Francisco cost £72,857 to mount while Covent Garden's own *I Capuleti e i Montecchi* cost £69,421. Generally the opera productions were much less expensive than in comparable houses abroad.

One disappointment of the season was the steady decline in ballet audiences—down from 92 per cent in 1979-80 to 85 per cent last season. Covent Garden is to vary its programming more to meet this problem. Opera attendances in 1983-84 were up 5 per cent, at 89 per cent of capacity.

Hallé Orchestra/Barbican Hall

David Murray

The Hallé Orchestra, who visited on Sunday with their new principle conductor Stanislaw Skrowaczewski, should be pleased with him; and what is more they sounded pleased. The evidence of alert rapport was everywhere, from the rocketing start of Strauss' *Don Juan* through a lightly sprung Beethoven Seventh. Even without calling in extra double-basses — prudence usually dictates that in the Barbican — the Hallé strings were excellently balanced, clear and suave; the well-tuned winds have character, and the brass revelled in the Strauss without sacrificing warmth. I think the slightly acid prominence of the trumpets in *forte* was a trick of the acoustics.

In short, all is very well indeed with this orchestra, and in Skrowaczewski they have a musician of civilised taste and imagination. *Don Juan* was properly exciting, but delicately inflected—no real whooping—and with a boldly held-back middle section that conveyed subcutaneous languor. The highest points were airborne, but set off against many fine, genuinely soft passages of the same expressive precision. Noisier performances rarely capture that mercurial, dangerous quality.

The Seventh Symphony of Beethoven offered a feast of quiet playing: there are London orchestras who could profit from the lesson. There was weight and fire in the big tutti paragraphs nonetheless. But the long introduction was sustained beautifully without melodramatic suspense, and the Vivace itself danced lightly; the Allegretto moved as purposefully in *sotto voce* as in its firm oratory, and the Scherzo — taken at brilliant speed — had more sparkling *pianissimo* than any performance I've heard in some time. It contrasted the better with the Finale, all lithe energy without violence. It was a distinguished performance, and it was received with delight.

Between Strauss and Beethoven came Szymanowski's Violin Concerto No 1, with another Pole as soloist, Wanda Wilkomirska. She has something like proprietary rights by now in that extraordinary piece, Szymanowski's most captivating single work. Her every phrase has blazing authority, and far up in the ledger lines—where the solo violin spends most of its time—she commands a tone of intense, piercing sweetness. (Two or three times early on, she edged a little sharp, but it didn't hurt.) Around her the orchestra bubbled, flickered and soared in Szymanowski's phosphorescent scoring—though I fancy that Miss Wilkomirska could project the whole substance of the Concerto single-handed if required. It is just the kind of reckless identification that the work demands and deserves.

Music in Hungary/Andrew Clerk

A time of change in Budapest

For a city with such lively musical traditions, Budapest is currently going through an uncharacteristically subdued period. The death of Janos Ferencsik earlier this year marked the end of an era in the Hungarian capital's opera and concert life, and in spite of the recent re-opening of the State Opera after four years of renovation work, the musical atmosphere is one of transition rather than renewal.

The authorities have decided not to appoint a successor at the Hungarian State Philharmonic Orchestra, the country's prestige ensemble which Ferencsik directed for 30 years; there is no shortage of conductors, but a dearth of good ones. The two-year-old production of *Parsifal* has been dropped from the repertory because no Hungarian-based conductor has stepped forward to take over what was regarded as Ferencsik's preserve. And the State Opera itself—a splendidly restored jewel in Italian neo-Renaissance style—has run into technical hitches backstage that have taken some of the surface glitter off the restoration achievement. So in spite of the pride and joy that the centenary re-opening has evoked locally, the repertory has not yet picked up its artistic momentum.

Each of the productions I saw on my latest visit, including two at the rough-and-ready, all-purpose Erkel Theatre, gave a similar picture of the company's current strengths and weaknesses. The chorus work is uniformly strong—the succession of virile polyphonic choruses at the end of Act III of *Khovanshchina* left a vivid impression—although it is not quite up to the highest East European standards.

The quality of orchestral playing was disappointing and certainly not up to the standard expected of a major house. The conductors' roster must be blamed here: after the first short run of a new production, performances of any given opera seem to change hands arbitrarily: the musicians go months, even years, without playing under a guest and in the pool of house conductors, none has sufficient force of personality to galvanise the playing out of complacency. Each of three recent performances of Ferenc Erkel's romantic tragedy *Bánk bán* was given under a different conductor, and the performance I attended of *Madama Butterfly*—sung, unusually for the Erkel Theatre, in Italian—suffered from clumsy direction of forces on stage and in the pit.

The interchangeability of singers is another factor militating against the maintenance of standards. True, the ensemble is well-stocked for each area of the repertory, and the freedom of leading singers such as Ilona Tokody and Dénes Gulyás to pursue careers in the West has encouraged a respect for points of style; but it does give performances a hit-and-miss quality, depending on which set of principals you happen to catch. The preference for performing in the vernacular, initiated nearly a century ago by Gustav Mahler, may come as a shock to the visitor, but it encourages a huge public and does not seem to compromise artistic success. Indeed a Hungarian-language *Carmen* inspired a degree of commitment and communication lacking in an Italian-language *Simon Boccanegra*, even though the Carmen in question (Tamara Takács, making her local debut in the role) had the kind of earthy appeal and deep expansive timbre suggestive of a Hungarian rather than a Spanish gypsy.

The *Khovanshchina* production by András Békés had been specially restaged for the opening weeks of the main theatre's new season. The single set, making a virtue of technical necessity, was spare, representational and evocative, but with the costumes we were back to the multi-coloured folksiness of well-worn East European operatic style. Certainly they were out of keeping with the atmosphere of relentless suffering and conflict that provides the thread of the drama. The cast was new and uniformly strong, with an Ivan Khovansky of physical and vocal stature in Ferenc Begányi.

But the edition of the score was not new. It is not just that the Rimsky-Korsakov orchestration was used, with its unidiomatic decoration and cake-layers of instrumentation; no, these were the same parts used by Issay Dobrowen when he conducted the Hungarian premiere of the work in the State Opera in 1936, with gigantic cuts wrecking the continuity of the plot, removing several important scenes (such as the second appearance of Marfa in Act Two, the beautiful Act Four interlude, the departure of Galitsin as well as the customary deletion of the role of Susanna) and ending on the most vulgar Romantic orchestral flourish. Nothing could have been more detrimental to an appreciation of the scale and originality of Mussorgsky's achievement.

After that experience, *Bánk bán* afforded nothing but pleasure. Hungary's slim tradition of opera composition began in the mid-19th century with Ferenc Erkel, who incorporated the lilting rhythms of the Hungarian *verbunkos*, or recruiting music, into an Italianate operatic form. It is easy to be patronising about an opera that boasts little sophistication and has not found a market outside its country of origin. But I found *Bánk bán's* directness and lack of pretension unusually affecting.

Its theme, taken from one of the great historical dramas in Hungarian literature, is the life of a Hungarian nobleman, whose authority, as regent during the king's absence, is challenged by the foreign-born queen and her courtiers. Erkel shows a rare degree of humanity in his projection of Bánk's courage in adversity, and the duet in Act Two between Bánk and his wife Melinda, who has been violated by the queen's brother, sums up perfectly the heroic-tragic temperature of the score. Bánk was sung by Béla Karizs, a tenor of Otello proportions, and Melinda by Katalin Pittia, a young soprano who should go far with her hypnotic stage presence and bright febrile voice. The score includes a part for the Hungarian gypsy dulcimer or cimbalom. I would be glad to hear the opera again—more than I can say for several better-known representatives of folk opera in the Czech school.

Liz Robertson/Ritz

Michael Coveney

The Ritz dining room is indeed a splendid restaurant although not, as I have had occasion to observe before, the most ideal spot for cabaret. Even tougher then, for Liz Robertson, an accomplished musical actress but not one associated with that special gift, born of temperament and years of experience for "working a room." Ms Robertson is nothing if not brave and she completes a short engagement in Piccadilly with further appearances this week at 11 pm tomorrow night and on Friday.

She first came to general attention in the London production of *A Little Night Music* by Stephen Sondheim. The breakthrough, however, was the revival six years ago of *My Fair Lady* in which her spirited Eliza rekindled memories of Julie Andrews—from whom she is neither physically nor vocally dissimilar — while simultaneously announcing an individual talent. The process of consolidation has proved difficult, despite television work, a West End return in *The Milford Girls* (a dreadful show) and a Broadway debut.

This last was *Dance A Little Close*, a musical by her husband, Alan Jay Lerner, to a score by Charles Strouse. It flopped badly in New York, but it contained several fine songs. The title song, reminiscent of, though not superior to, "Dancing in the Dark," by Schwartz and Dietz, is an insinuating, agreeable melody with clear romantic lyrics. At the Ritz, Ms Robertson sang it beautifully, lustrously: far happier with this, one felt, than with Carly Simon's "You're So Vain" or, for that matter an over-pointed version of Sondheim's "Can That Boy Foxtrot" from *Follies*.

Liz Robertson

The personality is fine. The problem is that this is a stage act and not a cabaret one. The stock microphone gestures and unfocused remarks to the audience — the patter could certainly be tightened up, if not dispensed with altogether—are a little unfortunate.

Mind you, Friday night's act was marred by some truly appalling behaviour at one of the tables. After several discreet hints, a firm request for a little more hush was met with an invitation to your correspondent to remove his jacket and step outside.

The show went on, with consoling items by Lerner and Loewe and Cole Porter. Ms Robertson had opened with the title song from a new album (VIP Records, 83004), "Somebody's Girl," a defiantly foot-stomping monogamous song, lyrics by Lerner and music by Gerard Kenny, in which a woman in love declares herself to be "permanently out of the swim." Perhaps this sentiment is a little submissive for contemporary taste, but it obviously defines the image Liz Robertson is now anxious to project: that of a classily fresh-faced chanteuse sliding easily and contentedly into musical early middle age. It is a tactic which might well pay off but which will undoubtedly also narrow her artistic horizons.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 23–29

Opera and Ballet

PARIS

Der Rosenkavalier alternates with Spectacle de Ballets and Die Entführung aus dem Serail. The Lighthearted Türkerei is conducted by Hans Graf in a Giorgio Strehler production in Luciano Damiani's decor and costumes. Pacha Selim's role is interpreted by Michael Heltau/Georg Schluchter. Constance is sung by Gianna Rolandi and Belmonte by Barry McCauley. Paris Opéra. (742.57.50).

Le Petit Ramoneur, Benjamin Britten's Let's Make An Opera – an entertainment for young people conducted by John Burdekin and produced by Giancarlo Ciarapica at the Opéra Comique (278.19.54).

Gavin Bryers' Medea, after Euripides. The Opera is constructed in a traditional manner, but the orchestra is unusual. The costumes are by Franca Squarciapino. Théâtre des Champs-Élysées (723.47.77).

LONDON

Royal Opera, Covent Garden: Thomas Allen, arguably the leading Don Giovanni of the day, gives his first Covent Garden account of Mozart's most demanding baritone role. Also in the cast are Makvala Kasrashvili, Barbara Daniels, John Tomlinson and Stuart Burrows; Arnold Ostman, admired conductor of the Stockholm Drottningholm Opera, makes his Royal Opera debut.

English National Opera, Coliseum: Cosi fan tutte, a small-house opera which in John Cox's elegant production survives the expansion in London's largest theatre, returns with a cast led once again by Felicity Lott, and introducing such Mozartian newcomers as Jean Rigby, Meryl Drower and Christopher Booth-Jones; Peter Robinson conducts. Further performances of David Pountney's wilfully poetic production of Dvorak's Rusalka, and Arabella with Josephine Barstow in the title role, and of Patience, the ENO's best attempt yet at Gilbert and Sullivan.

Royal Opera House, Covent Garden: Mayerling is on view on Wednesday while on Saturday evening and Tuesday there are varied and intriguing triple bills form the Royal Ballet.

Sadler's Wells, Rosebery Avenue: The London Contemporary Dance Theatre is performing all week, including a new triple bill (Tue, Wed) which is well worth watching.

WEST GERMANY

Berlin, Deutsche Oper: Don Giovanni with Stafford Dean singing Leporello: Der Troubadour, sung in Italian, is conducted by Herbert von Karajan. The Magic Flute features Barbara Greenberg and Barry McDaniel and Der Barbier von Sevilla Kaja Borris and Donald Grobe.

Cologne, Opera: Murieta, which premiered last month, was specially composed for the Cologne opera by Jens-Peter Ostendorf. It is based on Pablo Neruda's drama Death and Glory and describes the life of Joaquin Murieta, a Chilean immigrant in California. It is produced by Hans Neugebauer and has Allan Evans in the title role with Delores Ziegler and Matthias Hölle singing other leading parts. Salome is conducted by Sir John Pritchard, and Carmen stars Vittoria Vergara and Josef Protschka.

Frankfurt, Opera: Lulu, complete with the third act, has Nancy Shade in the title role. La Bohème stars Luis Lima and Yoko Watanabe. Der Zigeunerbaron rounds off the week.

Stuttgart, Württembergische Staatsoper: after 14 months of renovation the opera house reopened this month with a new production of Don Giovanni by Göran Järvefelt. Cav and Pag stars Eva Randova, Julia Conwell and Kimmo Lappalainen. Also this week Idomeneo and Die Lustigen Weiber von Windsor.

Munich, Bayerische Staatsoper: This week's highlight is Ein Maskenball with Theresa Zylis-Gara, Piero Cappucilli and Carlo Cossutta. Pique Dame has Julia Varady and Vladimir Atlantov in the cast. There are two Wagner operas – Lohengrin with Ingrid Bjoner and James King, and The Flying Dutchmen with Sabine Hass and Franz-Ferdinand Netwig. Puccini's two one act operas Il Tabarro and Gianni Schicchi with Marita Slatinaru and Piero Cappucilli close the week.

NETHERLANDS

Amsterdam, Carre Theatre. Swan Lake danced by the Romanian State Ensemble (Mon). (225225).

Amsterdam, Stadsschouwburg. The National Ballet with works by a new generation of choreographers (Tue, Wed, (also matinee), Thur). (242311).

Eindhoven, Stadsschouwburg: The Netherlands Opera production of Don Giovanni, with John Broecheler in the title role and Roberta Alexander and Ashley Putnam in other leading parts: The Netherlands Chamber Orchestra and the Opera Choir under Edo de Waart and Ed Spanjaard, with the National Ballet (Sat). (117555).

Amsterdam, Stadsschouwburg: The Netherlands Opera with Verdi's Sicilian Vespers, cast headed by Cristina Deutekom and Adriaan Van Limpt: the Amsterdam Philharmonic and the Opera Choir under Christian Badea, with dancers from the National Ballet (Sun, Mon) (242311). Repeated Thur in Heerlen, Stadsschouwburg (718667).

ITALY

Cosenza: Teatro Comunale Rendano: Donizetti's Don Pasquale, conducted by Romano Gandolfi (Sat, Mon, Wed). (23971).

Bologna: Teatro Comunale: The Opera Season opens here on Thurs with Gluck's Armide conducted by Alan Curtis and directed by Filippo Sanjust, sung by Raina Kabaivanska, Robert Gambill and Jeffrey Thomas (222999).

Trieste: Teatro Verdi: Puccini's Madam Butterfly with Marion Vernett Moore, conducted by Baldo Podic and directed by Mauro Bolognini (Sun, Tues, Wed). (631948).

Rome: Teatro dell'Opera: The Season opens on Tuesday with a new production of Mozart's Don Giovanni by Jerome savary and with scenery and costumes by Le Bois. Silvano Carroli (Don Giovanni) Mariana Nicolesco and Bruno Pola (also Thurs). (461755).

Turin: Teatro Regio: Verdi's early opera, I Due Foscari, conducted by Maurizio Arena and directed by Sylvano Sussotti with Renato Bruson and Nicola Martinucci on Sunday (at 3pm) and Thurs (548000).

TOKYO

Gagaku (Japanese ancient music and dance). Ceremonial music and dance of the Imperial Court of Japan, originally derived from the music of Persia and India, was introduced into Japan in the 8th century from China and Korea. It is often performed at Shinto shrines and Buddhist temples and the music is still regarded as the preserve of the Imperial Court. National Theatre (2234012 or any Playguide).

NEW YORK

Metropolitan Opera (Opera House): The week includes James Levine conducting the premiere of Simon Boccanegra with Sherrill Milnes playing Verdi's powerful doge, in addition to the repertoire of Il Barbiere di Siviglia conducted by Silvio Varviso with mezzo Julia Hamari and baritone Leo Nucci, Manon Lescaut conducted by Nello Santi, as well as Jean Pierre Ponnelle's new production of La Clemenza di Tito conducted by James Levine. Lincoln Center (3626000).

New York City Ballet (New York State Theater): The 81st season opens with a tribute to George Balanchine and mixed programmes of Balanchine, Robbins and Martins choreography. Lincoln Center (8705570).

CHICAGO

Lyric Opera (Civic Opera): J. Patrick Rafert is Figaro and Kathleen Kuhlmann is Rosina in Il Barbiere di Siviglia as Eva Marton continues in the new production of Richard Strauss's Die Frau ohne Schatten, along with Carmen starring Alicia Nafe and Maurizio Frusoni as Don Jose. (3322244).

VIENNA

Staatsoper: (5324/2655). Richard Strauss' Salome conducted by Mund with Roberts, Hesse, Slania, Weikl, Kasemann, Terkal, Sramek and Christian (Fri, Mon). Tristan und Isolde conducted by Leinsdorf with Ligendza, Fassbänder, Kollo, Sotin and Moser (Sat). Die Walküre conducted by Schneider with Rysanek-Gausmann, Jones, Schimi, Lotte Rysanek, Borowska, Vance, Winsauer and Gonda (Sun). The Nutcracker choreographed by Grigorowitsch and conducted by Richter with Stadler, Harangozo and Wilhelm (Tue), Gaugusch, Locsei and Wilhelm (Wed).

Volksoper: (5324/2657). La Bohème conducted by Märzendorfer with Radek, Irosch, Dallapozza, Boesch and the Vienna Boys Choir (Sat, Tue). Janacek's Aus einem Totenhaus conducted by Zagrosek with Ottenthal, Sobota and Schreibmayer (Mon, Thur). The Merry Wives of Windsor conducted by Boncompagni with Holliday, Elias, Szep and Malta (Wed).

Tang Yun/Wigmore Hall

Dominic Gill

Tang Yun is a violin prodigy from Shanghai whose early career was interrupted by the Cultural Revolution (after playing concertos with the Peking Philharmonic she found herself suddenly in the back desks of the Peking Opera orchestra). Since arriving in the west she has studied with Galamian and Menuhin, and has appeared on the South Bank. Her recital with Craig Sheppard on Wednesday was her second in London, after her debut in May last year.

The performance she gave of Beethoven's last violin sonata op.96 at the start of her programme (which ended with Ysaye and Prokofiev) aroused in me only an intense desire to hear again the strong, clean lines of Zukerman's playing of the same sonata a few days before. Miss Yun's rich, soulful tone, underpinned by an unremitting fast vibrato, I quite soon found excessively irritating and wholly predictable. But that was a minor matter compared with her phrasing, in whose shape and direction she was mostly at sea: every other phrase simply fell apart at the seams. There is much more to a Beethoven violin sonata performance than playing attractively and determinedly through the notes.

More than anything it sounded like a performance which urgently needs—perhaps like Miss Yun herself—at this stage to get out from under the thumb of teachers, and find its own original inspiration and energy. She ended her first half with an enthusiastic but entirely undistinguished account of Chausson's *Poème*—notable for its unrelenting use of exactly the same full-blooded fast vibrato as we had just heard in the Beethoven. On December 9 she plays the Chaikovsky concerto at the Barbican, which should be a revealing encounter.

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Anglo-Irish squabbles

A WEEK, as a former British Prime Minister once said, is a long time in politics, and few weeks can have seemed longer than the seven days which have passed since the Anglo-Irish summit at Chequers last Monday. A meeting that seemed to produce a realistic communiqué, which the promise of more to come, has since given way to mutual recriminations. It is time for both sides to pick up the pieces.

To start with the British: Mrs Margaret Thatcher made a mistake and probably Mr Douglas Hurd, the Northern Ireland Secretary, as well. It was wrong of the Prime Minister to reject what she called the three proposals in the report of the New Ireland Forum in words that have since gone down in Irish Mythology as "out, out, out."

Mutual appreciation

As Mr Peter Barry, the Irish Foreign Minister, has pointed out, the forum produced not "proposals" but "options" for the future of Ireland. Not even the options were meant for immediate application. Quite the most important section of the forum report was the analysis and the recognition that the Irish Republic, too, will have to change its attitudes to the North if there is to be a settlement. For that it will take time and a mutual appreciation that London and Dublin will have to work together. The summit discussed just such questions.

Mrs Thatcher also has a tone of voice sometimes which may be well understood by British ministers and officials, but which may be a bit much for Irish sensitivities. There can be no doubt that she has given some offence.

Mr Hurd gave offence when he said at a press conference in Belfast last Wednesday that there was no possibility of the Irish Republic having an *executive* role in the affairs of the North. That is true for the present, but it may not always be so. It was tactless of the Secretary of State to stress it so gratuitously, especially when the subject had not been mentioned in the communique.

Yet the Irish are not entirely blameless either. Mr John Hume, the leader of the mainly Catholic Social Democratic and Labour Party in the North, attacked the communique with undue savagery in the House of Commons last Tuesday—quite probably against the advice of the Irish Government. The SDLP is an essential partner in any settlement, and it is foolish of Mr Hume not to recognise that Mrs Thatcher has begun to move.

Beyond that, there are the political problems in Dublin. The ideological differences between the two main parties—Fine Gael which governs in coalition with the Labour Party and the opposition Fianna Fail—are not all that great. But what sticks out a mile is the personality clash between Dr Garret FitzGerald, the Prime Minister, and the opposition leader, Dr Charles Haughey. Dr Haughey poured scorn on the communique almost before it was written, even though he had been a party to the forum report.

That is bad for Irish politics and bad for Anglo-Irish relations. The Irish should not forget that there is a fairly prevalent belief in London that no Irish government is capable of holding together for long and that, therefore, there is little point in trying to do business with the Republic. It would help if the Irish parties could show a measure of consensus on the Irish question.

In business

The recriminations of the last few days, however, could still prove salutary if there is a genuine willingness to repair the damage and to realise how much is at stake. Both Mr Barry and Mr Dick Spring, the deputy Irish Prime Minister, have made sensible efforts towards this end.

Mr Barry said in a speech last Friday that the Irish people had to choose whether they wanted emotional gratification or real progress in Northern Ireland, and there was no doubt where his own preference lay. The Irish Government, he claimed, is "now in business with the British," even if it could not make promises of success.

That is the heart of the matter. The Irish have moved in that they no longer have a policy based solely on unification. And Mrs Thatcher has begun to engage herself in a search for a settlement other than the status quo. It would be madness for any constitutional party to seek to undermine that coming together.

Pensions industry fights back

BRITAIN'S pensions industry is preparing itself for a long winter of discontent, with at least three major areas of argument. First, the Social Security Bill (which had its second reading in the Commons last night) has started on its way through Parliament, and is being opposed by some employers. The Engineering Employers' Federation has attacked two proposals in the Bill; the plan for a 5 per cent maximum compound revaluation of early leavers' frozen pensions—it argued that the ceiling should be no higher than 3 per cent, non-compound—and the provision for a public register where company pension schemes could be inspected.

Second, the period for formal comments on Mr Norman Fowler's discussion paper on personal pensions closes this Friday. This paper is planned to open the way for a further pensions bill next year, giving all employees the right to opt out of occupational and State earnings-related pension schemes. Some trenchant comments can be anticipated from the pensions establishment. Prudential Assurance has already announced a £400,000 advertising campaign to put over the view that the Government is being too radical, and may be running the risk that employers will be tempted to pull out of the whole complicated and expensive business of running (and paying for) occupational pension schemes.

Tax relief

The third debate, over tax, could surpass the other two in scale and bitterness. The big life offices are conscious that they let Mr Nigel Lawson abolish tax relief on life assurance premiums in his Budget last March almost without a fight. In fact many life men privately accepted that such tax relief was indefensible, but they are concerned that their mild response should not lead the Treasury to think they are a soft touch in other ways. They are certainly resolved to fight, along with representatives of the occupational schemes, for preservation of the tax privileges.

These debates are being conducted in separate compartments. This is particularly unfortunate in the case of tax, which happens to fall within the orbit of the Treasury while pension schemes themselves are the responsibility of the Department of Health and Social Security. The role of tax relief is crucial to the whole question of pension schemes, right down to the level of the personal pensions salesmen whose standard opening sales pitch is: "Do you want to save tax?"

Occupational schemes can offer good value to the financially unsophisticated employee. They are to be encouraged so long as they are not designed unduly to interfere with the individual needs and mobility of the scheme members.

Yet present tax arrangements have created a serious distortion in the fiscal structure, to the extent that large volumes of savings are artificially attracted into pension tax shelters rather than being directed into more normal forms of investment.

Two clear judgements can be made at this stage. First, it is wrong that companies should treat their pension schemes as devices to trap their employees on penalty of losing most of the value of frozen benefits if they move to another job. The Engineering Employers' attempt to limit revaluation to 3 per cent is particularly misguided in this respect. The point was recognised yesterday by Prof Peter Moore, incoming president of the Institute of Actuaries, in his inaugural address to members. "The argument that the pension industry was built up to provide an employee reward system for life-long service no longer cuts much ice," he said.

Second, the existing tax benefits are too widely spread. That highly paid senior executives should make extra voluntary contributions into pension plans so that they can claim tax-free lump sums on retirement has little to do with pensions but a great deal to do with tax avoidance.

One of the central issues in the debate is the extent to which limited reforms, in areas like tax relief and early leavers' rights, are possible without endangering the whole occupational pension scheme structure. The Government, as part of its general attack on tax distortions, is justified in reviewing the pensions industry's privileged position. It should be possible to reconcile well-judged reform with a continuing role for occupational pensions.

BRITISH TRADE UNIONS

The law begins to bite

By Philip Bassett, Labour Correspondent

THE HIGH Court fine of £200,000 levied against the Transport and General Workers' Union yesterday for refusing to hold a strike ballot in the now-settled Austin Rover pay dispute shows how tough the effects on UK trade unions of the Government's labour laws can be in practice.

Leaders of the TGWU have signalled their readiness to defy the courts. But is this now typical of British unions? Or is what Mr Tom King, Employment Secretary, calls a "quiet revolution" in UK industrial relations already under way? Consider the following:

● Growing case law (see table) shows widespread compliance with court findings in labour law actions.

● Early cases show perhaps surprising but growing employer readiness to use the provisions of the 1984 Trade Union Act which calls for secret ballots before any form of industrial action.

● Unions at local level are increasingly co-operating with ballots about maintaining closed shops, despite TUC opposition.

● National union leaders are forging ahead with plans to hold ballots to test their members' support for political funds. These are required under laws with which they are pledged not to co-operate.

● The electricians' and the engineering workers' unions are trying to take up the offer of Government money to fund postal ballots—and the white-collar ASTMS is trying to get the TUC to change its minds and allow all unions to use these funds.

● Mr David Basnett, of the municipal workers, is calling for a "major review" of the TUC's policy of opposition to the law and for the first time, the TUC itself admits that its policy is "under pressure."

The Government and employers see this as clear evidence of change. "There are definite signs that unions are changing their attitudes," says Mr King. "I think there is a possibility of an overall change," says Mr Parry Rodgers, personnel manager of Plessey. Mr Rod Thomas, deputy social affairs director at the Confederation of British Industry, says that "it's becoming increasingly clear that trade unions can't ignore the law."

Publicly, many unions—especially on the left—disagree. Mr Walter Greendale, chairman of the TGWU, says his union will stand by the TUC's policy of opposition. Mr Jimmy Knapp, of the railwaymen, talks of "closing ranks" round TUC policy, and does not agree that change is in the air. Even some on the right, like Mr Roy Grantham, of the white-collar union Apex, do not believe that the TUC will change its present policy.

Privately, one left-wing union official admits, "Behlod a lot of the bravado is a feeling that in reality there will be change. But I don't think it is going to come quickly."

Gone are the days of the big bank approach to the legal reform of industrial relations, epitomised in Labour's unsuccessful 1968 "In Place of Strife" initiative, led by Mrs Barbara Castle, and in Mr Ted Heath's ill-fated 1971 Industrial Relations Act.

Instead of these wholesale reforms, this Government is taking a more subtle line, leaving it to employers to use as they wish the complex tools of the 1980 and 1982 Acts to snare the unions.

Both sides of industry are still cautious about the use of the law. A forthcoming survey of both managers and trade unions by the Epic communications group shows a growing belief among both that court intervention in industrial relations is unhelpful. Mr Patrick Elias, a labour law barrister, says that "no companies like to deal with lawyers if they can possibly help it."

Yet, with slim prospects of Labour soon returning to power, and growing use of the courts, the law looks set to stay. "A year or so ago," says one senior private sector personnel manager, "most industrial relations managers would have taken an almost ideological line that you don't want the law in industrial relations. Now they're saying that the law does have a role to play."

The exact role that the law should play, however, is contentious. Mr Roy Sanderson, of the electricians' union EETPU—seen by many employers and ministers as the new model union—is scathing about the Government's first two labour laws, the Employment Acts 1980 and 1982. "In the last five years the Government has squandered a public mood of realism in industrial relatioos. Instead of utilising that, they have created an anti-union veodetta, settling old scores." Mr King vehemently denies this, insisting that the Government was simply trying to re-set the balance which had tipped too far the unions' way.

But it is the pre-strike ballot cases brought under the 1984 Act—so far, by only three companies: Ilford, Safeway and Austin Rover—which have started to crystallise opinion, partly because, as both Mr Knapp and Mr Graham Mather, policy head of the Institute of Directors, unusually agree, they require unions to do something: hold ballots, or face the consequences in court.

Austin Rover's action is widely regarded as the most important—primarily because the court case against the unions for failing to hold a ballot played a significant role in the collapse of the strike.

"I'm obviously very much encouraged by the events at Austin Rover," says Mr King. "There isn't going to be another car park meeting without people having thought pretty hard beforehand whether they are going about things in the right way." Mr Roy Lewis, senior research fellow at Warwick University's industrial relations unit, says: "It's a good illustration of the actual use of the law by employers to achieve a particular IR result." Mr Mather claims that "it will have a very significant impact in adjusting behaviour right down the line."

Not everyone is so sure. When asked if the case would have an impact on future BL disputes, Mr Jack Adams, convenor at the company's Longbridge plant, says: "I would not think so—I would certainly hope not."

The company's decision to press a charge of contempt of court against the TGWU, even though the strike is over, is also significant. There are suggestions in some quarters that the company is politically motivated, and that ministers would like to see an early display of the law's power against the country's largest union; but other ministers are thought to be wary about the action, lest it should backfire.

Another suggestion made is that Austin Rover could not allow the TGWU to mount an attractive recruitment platform as the only union which supported workers in BL; in particular, given the help of the AUEW engineering union in resolving previous BL disputes, it may be that the company could not give the TGWU an advantage over the AUEW.

Managers in white companies which have taken action under the balloting law report a rash of inquiries about it from other firms. "It's a path other employers will tread," predicts one, though academics such as Mr Bob Simpson, law lecturer at the London School of Economics, are less sure. Indeed, many employers who confidently predict a general increase in the use of the law are less certain when asked whether they would take such action themselves if necessary.

But companies in the thick of legal action over ballots also feel that there is a change in union attitudes. "On the basis of our experience," says one manager involved, "the more moderate unions are recognising—at a very senior level—that they have got to live with in the law as it stands."

A private sector employer who has not yet taken any legal action over balloting emphasises its force as a deterrent: "Unions have been impressed by the fact that many employers are willing initially to quote the law to them, saying they will take action, as a kind of bargaining point."

For the unions, living within the law may force a modification of the TUC's policy—established at a special conference of union executive committees in April 1982 at Wembley, north London—of wholesale opposition to the Government's labour laws.

So far, moves to review Wembley have met with short shrift, but one union official says: "I assume everything will come to a head at the next Congress" in Blackpool next September. Before then, opposition looks likely to be undermined piecemeal by such decisions as that of the EETPU to apply for Government money to fund postal ballots.

Unions making these moves argue there is little else they can do if they are to protect members' interests. Asked whether the AUEW would defy TUC policy on not taking money for ballots if a proposed ballot of members decides in favour, Mr Gerry Russell, AUEW executive member, says: "I think you would have a hell of a job ignoring your membership, wouldn't you?"

Though TUC leaders will be cross-examining both the EETPU and the AUEW on their decisions shortly, the TUC privately recognises its own impotence.

But the outcome of the moves to change policy may be decided by unions in the centre rather than by those at the political margins, such as the EETPU on the right, or the white-collar engineering union Tass on the left. The decision of ASTMS to comply with the law, and to press others to do so, is viewed by many union leaders as important precisely because the union has been seen as centre left-led.

However, the politically-moderate local government union Nalgo decided at the weekend not to change itself to comply with the law, its decision might influence other unions, when the time comes for the votes to be counted to prevent any shift in the TUC's policy.

But Mr King argues that it is from the members themselves that pressure for change is coming. Legislative pressure from the Government is still on too. While nothing in the new laws can prevent employees from striking if they have held a ballot on it, and are taking action against their own employer—though normal remedies of dismissal for breach of contract are still available to managements—the Government's belief is that the statutory provision of secret ballots before strikes will change shop-floor attitudes and practices.

If not, then the prospect of making unions' legal immunities from civil action dependent on observing agreed procedures—roughly akin to West Germany's legally-binding agreements—is still in the background, though at present it is merely being considered, and only for application to workers in essential services.

The fine against the TGWU may polarise the unions, though there are already signs that some of the TGWU's powerful regional officials are becoming increasingly dissatisfied with the union's blanket boycott of the courts; as last year's dispute between the Messenger newspaper group and the NGA print union showed, the inexorable process of the courts is difficult for even the most militant unions to resist.

Whatever the outcome of the TGWU case, change may be forced on the unions, as Mr Terry Duffy, AUEW president, pointed out last week.

"The pressure is on the unions; the Government and employers are confident. It certainly looks as though these laws are going to take us forward into a more orderly world in which it is quite clear, as the various cases establish the case law, that people will see more clearly where they stand and what their duties and responsibilities are," says Mr King.

"I shall think that that is not a small contribution towards orderly industrial relations in Britain."

LABOUR LAW UNDER THE TORIES

THE MAIN CASES

Date	Case	Cause	Result
March 1981	Wilkes PCA Data Supplies v NGA	Picketing	Injunction; complied
May 1981	Chloride Batteries v TGWU	Picketing	Injunction; complied
Aug. 1981	Mersey Docks & Harbour v TGWU	Picketing	Injunction; complied
Nov. 1981	Lawrence Scott v AUEW members	Picketing	Injunction; complied
July 1982	Merkur Island Shipping v Laughton*	Blacking	Injunction; resolved
Aug. 1982	Express Newspapers v NGA	Secondary action	Injunction; resolved
Sept. 1983	Stockport Messenger v NGA*	Secondary picketing	Injunction; sequestration; complied
Oct. 1983	Mercury v POEU*	"Political" action	Injunction; complied
Oct. 1983	Shell UK v TGWU*	Secondary picketing	Injunction; not proceeded
Jan. 1984	BPCC v Sogat*	Blacking	Injunction; fine paid (by BPCC employer)
Mar. 1984	Dimbleby Newspapers v NUJ*	Secondary action	Injunction; not proceeded
Mar. 1984	National Coal Board v NUM (Yorkshire)	Secondary picketing	Injunction; not proceeded
April 1984	Road Transport v NUM (S. Wales)	Picketing	Injunction; sequestration; pending
Oct. 1984	Ilford v GMBU	Secret ballots	Injunction; complied
Nov. 1984	Austin Rover v 9 unions*	Secret ballots	Injunctions; not proceeded; action still pending

* Key cases listed by DE.

Source: Department of Employment

Tussle with a picket at Ravenscraig

THE LEGISLATION

Main provisions

Employment Act 1980
—limits picketing;
—restricts secondary action;
—gives greater protection against closed shop;
—provides Government money for union ballots.

Employment Act 1982
—secret ballots on closed shop;
—unions become liable for damages of up to £250,000 per case.

Trade Union Act 1984
—ballots before strikes;
—elections for union executive committees;
—ballots to retain unions' political funds.

Men and Matters

Phoenix too frequent

For the third time, Phoenix Securities, a small and discreet firm of financial advisers, has helped assemble one of the deals that are changing the face of the City's securities business. The amalgamation of Laurie, Milbank and Simon and Coates with Chase Manhattan follows Phoenix's involvement in Wedd Durlacher's liaison with Barclays and in that of Capel-Cure Myers with Grindlays.

If Phoenix can pull off another, it will amount to one deal per partner, or one for every three employees. This is what is known as service sector productivity.

Most people would be happy with the ashes out of which John Craven created his Phoenix in 1981—two unmotivating spells as vice-chairman of Warburg's and chief executive of Merrill Lynch's international investment bank. But Craven is clearly delighted to have rediscovered the admin-free deal-making of his years with White Weld.

Two of his partners, Philip Seers and David Reid Scott, are also White Weld alumni. The fourth is Martin Smith who came from Citicorp and Bankers Trust International.

With miniscule overheads and powerful contacts, the Phoenix four are able to follow a strategy of pure opportunism in the business of corporate finance. Their latest opportunity has been to act as broker of brokers to banks because most of the City's established deal-makers are themselves compromised by, or involved in, the merger boom.

The irony is that Phoenix's partners are enriching themselves by bundling up the City's free spirits into conglomerates that are the antithesis of Phoenix.

Craven foresees more Phoenixes arising as the disaffected talent breaks away from the heavyweight groups that are now being formed. He will be happy to help with any of the larger realignments that may become necessary.

"Hello Dad—fancy seeing you here"

Change of fortune

Yemen, it seems, has found a novel way of solving its foreign exchange problem. It has simply locked up all the money changers in the country.

For the past year or so, the gap between the official dollar price of the Yemeni riyal and that offered on the free market has been widening. Ten days ago, the official rate was about 5.85 riyals to the dollar; the unofficial rate was 6.80.

This was largely the result of smuggling goods and money over the Saudi border. Local companies usually get their dollars from the money changers because commercial banks are only allowed to provide them for approved imports.

But then police descended on the offices of all money changers and took the dealers by military helicopters to jail.

Despite unconfirmed reports that some money changers are still managing to carry on business with their clients from jail, the move appears to have worked.

Rates quoted for the Yemeni riyal in Jeddah have come down from 6.80 to 6.02 to the dollar. That rate comes from the biggest Yemeni money changer of all, Abdul Ahmed Showlak, who lives in Saudi Arabia and has so far escaped the Yemeni government's retribution.

Glossy Fields

A surprising choice for The Publisher's magazine of the year award is a minority interest glossy, just over a year old, called Boat International.

It costs £1.60 a copy—way above the going rate for boating magazines in Britain—and it relies for its appeal upon dazzling colour pictures rather than weighty prose.

Suzanne Fields, aged 31, its principal owner and publisher, reckons that capturing the coveted award so quickly, and being able to plan with confidence for a 45,000 sale for the next issue, more than justifies her original approach to the yachting magazine market.

With Boat International she appears to have found a slot between the clubhouse attitude of the main-stream yachting publications, and the tar and hemp-stained "do-it-yourself" books.

Fields is the principal shareholder in the company she founded, SF Publications. Arriving in London from Lancashire she sold space for a publishing house and then went on to try her luck by publishing in-house magazines for businesses. Prestige for the Prestige Hotels group, and Insignia for H. R. Owen, the luxury car salesmen, were two of her early successes.

Early next year she will hit the bookstands again with her second up-market sports glossy which will be called Tennis International. "No," she admits, she isn't much of a tennis player. But she will be hiring the best writers and photographers available.

Art times

When it comes to art, Hong Kong's Chinese community prefers modern works to China's classics.

According to Rebecca Shaw, who has just finished Sotheby's auction of Chinese art, it was Western buyers who clamoured for the 600-1,000-year-old Song or Yuan landscapes. Local art lovers were much keener to snap up modern works.

More than half of the latest auction's proceeds of HK$41.9m (£4.4m) came from the sale for charity of jade, ceramics and paintings owned by Dr Ip Yee, the locally-renowned art collector who died earlier this year.

High points were the £210,000 paid for an imperial album of Song and Yuan landscapes and £157,000 for a rare blue and white porcelain Chenghua Palace bowl.

But there were smaller tributes, too, to Ip Yee's Western tastes. His wine cellar, which included clarets such as Chateau Latour and Mouton Rothschild, was sold for £28,000, and his 1974 Rolls-Royce went for the bargain price of just under £14,000.

Radar scan

Five sentences were enough for James Le Jaeger, president of the U.S. company that makes Escort radar detectors, to put his shareholders in the picture.

"The earth cooled," he said. "The dinosaurs ruled the earth, died, and become oil. In 1973 the Arabs cut off that oil. The U.S. created the 55 mph speed limit, and the Escort came into being. Are there any questions?"

Observer

Letters to the Editor

Legalised share-hawking

From the Chairman, M. G. Tyrrell and Company

Sir,—There can be no doubting the effectiveness of the campaign to sell shares in British Telecommunications. Many of the techniques adopted have been controversial but sinister indeed is the passing of a special law by the vendor to suit himself alone.

The provisions of Section 70 of the Telecommunications Act, 1984, to which reference is made in the small print of the so-called mini-prospectus, enable the indiscriminate distribution of that document which is not, of itself, a prospectus complying with the Companies Act, 1948. Certainly when falling out of the centrefold of national populer newspapers, the mini is nothing more than an unsolicited flysheet with an application form. Under normal circumstances, the Prevention of Fraud (Investments) Act, 1958 expressly forbids the distribution of such circulars to persons other than professionals in the securities industry.

But these are not normal circumstances. The mini is "deemed to incorporate the full prospectus and an application made pursuant to it is deemed to have been made pursuant to the full prospectus." Any person completing a mini-prospectus application should also study the full prospectus and be able to retain a copy thereof since, no doubt, it is the terms and conditions of the full prospectus which the sponsors will enforce. So why publish the mini at all? Hardly to economise on an operation where vast expenditure has already been incurred on advertising, PR and generous sales commissions, not to mention shareholder benefits. Clearly the mini, by virtue of its relative simplicity is intended to close the sale on the lay public who might find the full prospectus daunting.

The important time-honoured principles of investor protection embodied in the Companies Act and the Prevention of Fraud (Investments) Act to which all sponsors and promoters of share issues are accustomed to being bound (including, hitherto, HM Government) are thus circumvented. These principles themselves are fundamental and all embracing. Departures should be permitted only by amendment or repeal of the basic legislation, certainly not by expeditious "deemed to satisfy" enactments to help the Secretary of State move a rather large line of stock.

After years of conditioning, the British public has become risk-averse. Most Telecom punters will believe that any Government securities are as safe as houses and most will never see a full prospectus. With this share sale the Secretary of State does not signpost the road ahead towards a new share-owning democracy (institutions and foreigners have, after all, been given the first bite), but a diversion down a dark alley back to danger with his example of legalised share-hawking.

M. G. Tyrrell.
Somerset Villa, Somerset Road, W.13.

BT's external financing

From Mr A. Berry

Sir,—Your issue nf November 20 carried the informative offer for sale document regarding British Telecom. It appears to be based upon historical data with a short term profit forecast and presumably meets all the Stock Exchange requirements.

As an outsider, I find it difficult to fully understand the figures in the offer document but it does look as though BT's external financing requirement over the next five years will be around £3bn and rise thereafter. The offer document might have indicated from the financial policy of the BT board, how this requirement was to be met. Broadly one might suggest that BT will need about £1.5bn to £2bn of new equity, which means that there will be a net cash drain upon the lucky shareholders and a call for substantial loan finance both to replace government loans and to meet new commitments.

What a pity it is that this unprecedented (in value and in expense) offer for sale did not break new ground and provide a three to five year forward look. A handy financial planning package would not have added materially to the expense. Decisions about investment do rather depend upon future expectations. The board of BT has certainly made some projections; perhaps it might be encouraged to share them with prospective shareholders.

A. J. Berry,
(Lecturer in Management Control), Manchester Business School, Booth Street West, Manchester.

Catalysts v lean burn engines

From the Director, Society of Motor Manufacturers and Traders.

Sir,—I read with interest Andrew Gower's article (November 19) regarding Johnson Matthey's situation concerning the use of catalysts. Some of the points made, however, taken out of context, give a misleading impression.

He states that the cost of the catalyst is only £50 and that it is up to the manufacturer to decide how much to add to reflect installation costs. This begs the question that the catalyst is ineffectual without the associated control system which includes an oxygen sensor, micro-computers and mechanical parts to maintain the fuel mixture within the close limits required for the catalyst to operate. Estimates in this country, also reflected by other countries, are that the cost of the complete system, including installation, will be £450-500 regardless of vehicle size.

It is also stated that if they are operated in accordance with manufacturers' instructions they will last as long as the car itself. While we do not deny that the system can last as long as this, in fact the driver has no control over the operation of the system, only over its condition through maintenance. Moreover, experience in the U.S. has shown that up to 25 per cent of catalytic converter equipped cars are not operating correctly. The problems are that there is no simple test to check the operating efficiency of the catalyst, also that malfunction of the system will not affect the driveability of the vehicle which would alert the driver to the need for rectification.

A point of note is that one of the major penalties for the use of catalysts lies in the costs to the consumer, as Mr Gower mentions. The Government in its memorandum to the House of Lords European Legislation Committee, Sub-Committee G (Environment) estimates the increase in annual UK motoring costs to be about £2bn instead of a reduction of around £1bn which could arise from the use of more fuel efficient engines, such as lean burn engines.

Anthony Fraser.
Forbes House, Halkin Street, S.W.1.

Co-operation can happen

From the Secretary, Angel Improvement Trust

Sir,—Men and Matters (November 21) reported that the Royal Agricultural Hall in Islington is being turned into an office equipment exhibition hall by a consortium of three—two Britons and an American.

The rehabilitation of the most important public building in Islington was in fact secured because some 10 years ago the local environmental group, the Islington Society, persuaded the borough council to buy it. The society has since successfully discouraged the council from demolishing it for housing, so that it was still standing when Mr Morris had the foresight to start taking an interest in it.

This tripartite influence has now been formalised into the Angel Improvement Trust, whose governing body consists of borough councillors, businessmen (notably Mr Morris) and members of local environmental societies. It is financed by central and local government and by local industry and is setting about promoting the general rehabilitation of the area. This co-operation must be unusual in an inner city area where these three elements are often at loggerheads.

James Ogilvy-Webb,
4, Islington High Street, N1.

Abolish capital gains tax

From Mr L. Littman

Sir,—The effect of capital gains tax on inflation has been to lock up billions of pounds in assets in the hands of individuals and companies to avoid the punitive tax levied on disposal, and for their owners to have recourse to bank lending.

Were this tax to be abolished there would not merely be a very considerable lowering of bank lending, which would itself affect interest rates; but a considerable availability of fresh capital for new enterprise which, in turn, would generate additional employment.

It is odd that this tax, which is so unjust in itself, raises relatively so little revenue, and makes such a contribution to the higher interest rates which all borrowers must pay, has remained so long on the statute book. Surely it is a candidate for the reforming Chancellor's axe.

L. T. S. Littman,
74, Addison Road, W14.

Financial support for the arts

From Mr T. Rathbone, MP

Sir,—Your admirable leader "Financial support for the arts" (November 20) tuuches on but does not strike to the core of the problem of preservation of the British heritage in the arts.

Our art heritage is more at risk than other countries because more of it still remains in private hands and is therefore more open to threat from the immense and growing purchasing power of collectors from Germany, Latin America, Japan and the U.S. That is why there is general agreement throughout the art world, and across any political divides, that the real security of that heritage lies in the tax system. And that is why dramatic reform of our tax system as it affects art is now desperately necessary — not just experimentation at the margins, as you suggest.

When debating the Finance Act earlier this year, I advocated the principle of allowance against income tax for all contributions towards purchase of important art objects for public collections — up to whatever proportion of total income the Treasury may designate. Because the Treasury could set the level of relief, and therefore limit the cost to the Exchequer, this proposition should not have been considered too threatening.

But the Chief Secretary at the Treasury, while reasserting the Goverment's commitment "to see that the tax system is sensitive to the preservation of this country's remarkable cultural heritage" still reacted coolly to the idea, calling in witness the enormous $9.6bn cost in the U.S. because total deductability is allowed there. More's the pity that we cannot even consider partial deductability to protect our heritage here.

There are other much-needed tax reforms of course. A more equitable treatment for donors of works of art in lieu of capital transfer tax is one; the elimination of VAT on sales of works by living artists to residents of the UK is another. These are needed in addition to, not instead of, maintaining direct government grant and continued business sponsorship of the arts, of which we can be justifiably proud. Without such tax reforms our country's art heritage and cultural future will remain in peril.

Tim Rathbone.
House of Commons, SW1.

Could Europe act in unity?

From Mr J. Madeley.

Sir,—On November 21 your article on Africa's famine said that the Continent "will require food aid shipments of 9.6m tonnes of cereal by next June."

On the following day you reported on the EEC's massive cereal stocks, saying that the Community is "reconciled" to having to carry over from this year a stock of 25m tonnes of grain. It would seem that 9.6m tonnes worth of the EEC's difficulty could at least be removed.

John Madeley.
19, Woodford Close, Caversham, Reading, Berks.

Tax privileges and pensions

From the President, Society of Pension Consultants

Sir,—Recently there have been many articles in the Press discussing the tax privileges of pension funds. A prime target frequently mentioned is the tax-free accumulation of these funds with suggestions that, like other forms of earnings, pensions should only enjoy a net accumulation of funds.

While such an approach may be attractive to a Chancellor eager to make major reductions in personal taxation, the ramifications of such a change should not be overlooked.

Many insurance companies have specialised in providing benefits for small or individual pension arrangements and a change from a gross to a net investment accumulation could lead to insolvency. Possibly, if the terms of the policy so permit, insurance companies could reduce benefits which many policyholders would undoubtedly regard as a breach of faith.

Similar insolvency problems could well arise with pension funds which may now be closed and provide benefits predominantly for pensioners—those funds simply could not meet their liabilities if investment income was net rather than gross.

Even for funds with active members as well as pensioners a change from gross to net accumulation is likely to have a damaging affect on pensioners as well as members still in employment. According to the 1983 National Association of Pension Funds' survey of occupational pensions 85 per cent of schemes in the private sector gave increases to pensioners at least once during the preceding three years (75 per cent gave increases in each of the three years), the greater parts of which were not contractual. With long term costs increasing by 25 per cent or more companies are likely to be far less generous in granting increases to pensions in payment.

I hope that Mr Nigel Lawson will think very carefully about these adverse features, reduced benefits to existing pensioners as well as the impact on active members, before making such a harsh change to the rules of pension scheme taxation.

Pensions occupy a unique position in the field of savings in that benefits are contractually deferred until retirement and it is therefore entirely appropriate for taxation to be deferred until benefits become payable.

Brian Coote.
Ludgate House, Ludgate Circus, EC4.

Efficient use of energy

From the Chairman and Chief Engineer, Archie Kidd (Thermal)

Sir,—I would like to add my views to those of previous correspondents in advocating a positive energy conversation policy.

The lack of such a policy is leading to the propagation of errors and anomalies. For instance a recent very misleading Electricity Council advertisement praised in my view, wholly wrongly, the heating in Senate House, London University. This clearly illustrates the lack of policy guidance offered by the Department of Energy: more than 258 electrically operated night storage heaters should never have been installed.

Electricity is a highly refined form of energy and only about 24 per cent to 26 per cent of the heat in the original fuel, whether oil, gas, coal or nuclear, ever reaches the consumer. The missing three quarters is lost up the cooling towers or into the local estuary and in transmission and distribution losses. With coal, oil or gas burned on the premises in modern equipment, up to 90 per cent of the original energy can be effectively utilised.

In general the only normal ground for electrical space heating is convenience, such as in a flat or very small dwelling, possibly unoccupied all day. For the Electricity Council to advertise "In short, it is the cost effective way to heat" is blatantly to advise against all true energy conservation principles, as it must well know.

Of course the advertisement contains neat little loopholes. It is inferred that no piped heating system could be used and that unlike ordinary people the denizens of the University could not be disturbed during installation. This attemptedly subtle special pleading is so much humbug.

A secondary point—since night storage electrical heating is usually switched on between 12.30 midnight and 7.30 am it follows that the premises will probably be somewhat too hot until say mid-morning and too cool from mid-afternoon until late evening. If, as I imagine, the University makes evening use of some of the premises, it it almost certain that the system will have to be boosted at a time when the national electricity system is already very highly loaded and when the application of such additional load at peak time is undesirable.

Could not the Ministry lay down clear instructions to prevent anyone, let alone the very Electricity Council, getting it so wrong?

A. W. Kidd.
Seend Close, Seend, Melksham, Wiltshire.

Latin America

THE PAVEMENTS of Lima have become a poor man's supermarket. In the capital's centre, thousands of street vendors have taken over much of the pedestrian space and spilled on to the roads. From tiny stalls they offer a profusion of cheap accessories and essentials. The goods, mostly home-made or second hand, cater for the growing number of people pushed to the margins of the economic and social system by three years of deep recession in Peru.

An army patrol in an Andean village

Peru: debt poverty and paralysis

By Robert Graham recently in Peru

Peru has traditionally been among the more prosperous nations of Latin America. But it has become one of the sick men of the continent, overwhelmed by the burden of its $13.3bn foreign debt, politically paralysed by the onset of presidential elections and threatened from within by a brutal, but successful, Maoist guerrilla movement.

Peru's plight has been observed with fairly general international indifference, partially because the country, though large, is of limited strategic interest (the Americans, for instance, make little noise about the Soviet military presence, the largest in terms of advisors and material in Latin America). And the bankers until now have been preoccupied with the big debtors like Argentina, Brazil, Mexico and Venezuela.

But the situation does have a bearing on the debt crisis. Peru is ignoring all calls from the International Monetary Fund and the banks to respect financial orthodoxy. Arrears are accumulating on debt service and the government of President Fernando Belaunde appears neither capable nor willing to introduce the kind of austerity package that would satisfy the IMF.

Since that is a prerequisite for any accommodation with the banks, Peru is soon likely to reach a point where the banks cut off commercial credit, as they have threatened.

Only commercial credits and some funds owed to international institutions like the IMF have been paid. Arrears are over $230m and without directly saying so, the government is using what should be paid in debt service to fund the budget deficit. The situation is highly unorthodox.

The political calendar for the presidential elections will condition events for the next nine months. The campaign for the first round does not end until March. Polls show that of the nine candidates the contest is between two of the left—Sr Alan Garcia of the socialist APRA (Popular American Revolutionary Alliance) and the charismatic Communist mayor of Lima, Sr Alfonso Barrantes, heading a broad Marxist-orientated coalition, Izquierda Unida (United Left). Since neither is expected to win an outright majority, there will be a second round; and in any event the new president is not due to be installed until the end of July 1985.

"There will be no agreement with the IMF until after the presidential elections," one highly placed Peruvian official told the FT. Close associates of President Belaunde believe he will avoid further austerity measures which would prejudice the slim chances of the ruling Alianza Popular (Popular Alliance) retaining the presidency, but also threaten serious social unrest. That could cause the military to intervene. President Belaunde owed his election in 1980 to the military stepping down from power and the one achievement he wants to be noted for is a democratic transfer of authority.

In Lima, where 23 per cent of the country's workforce live, scarcely a day goes by without some demonstration against cuts in wages, factory closures and temporary lay-offs. The fall in living standards is such that the authorities have suspended income tax as a fiscal device. Real wages have fallen over 20 per cent in three years and are still falling. Inflation has crept up over 100 per cent as the sole devalues inexorably against the dollar and the public sector deficit rises. That deficit is now 13 per cent of GDP and the IMF would like it cut to 4.6 per cent.

On taking office, President Belaunde promised to create 1m jobs, but 700,000 jobs have been lost and over half the 5.6m workforce is reckoned to be either casually employed or unemployed.

This growing informal economy is underpinned by the illegal drugs trade, mainly cocaine business, which the authorities have done little to stamp out and which is reckoned to account for 10 per cent of money supply.

"Much of this state of affairs has been due to circumstances beyond our control, especially higher interest rates," says Sr Manuel Ulloa, a former Finance Minister. That has pushed debt service up to $1.5bn while falling international commodity prices, especially for copper, have cut Peru's exports to $3.2bn.

Some of the present mess can be blamed on President Belaunde and the previous military government, which initiated a spending programme based on high minerals prices that was not halted even when the downturn occurred.

Foreign bankers criticise high military spending which in 1983 was $450m, almost a third of the budget, and this year is running at around $300m. Both the Government and senior offices justify this by the need to maintain ascendency over Bolivia and Ecuador and near parity with Chile as well as the increasing scale of the counter insurgency operation against the Sendero Luminoso (Shining Path) guerrillas.

But there seems little consensus in the government on how to proceed. The Governor of the Central Bank, Dr Richard Webb, last month caused a sensation in proposing harsh measures to settle Peru's financial plight, including a doubling of the petrol price; a 20 per cent devaluation against the dollar; a freeze on all public investment; and a halt to payments on the external debt.

Dr Webb insists that his aim in going public was not to embarrass the government but to inject realism into the presidential race.

No Latin American central bank governor has talked of such tough options. But he does not wish his debt proposal to be misinterpreted: not paying would be a statement of the difficulties of Peru in the present circumstances.

As a gesture of goodwill the banks may be offered payment in kind like arrangements for settling $1.2bn worth of debt owed to the Soviet Union for military purchases. But the banks will not accept so easily deals like the recent $200m one with the Soviets which involved such items as chickens, silver, zinc and toilet paper.

What Peruvians of many different political views are hoping is that the banks and the IMF be patient until after the presidential result when a complete re-negotiation can take place. But this means at least nine months' wait and no guarantee that the new government will be in a better position to satisfy its creditors.

FINANCIAL TIMES

Tuesday November 27 1984

U.S. and Iraq to resume diplomatic relations

By Reginald Dale, U.S. Editor, in Washington

THE U.S. and Iraq yesterday agreed to resume official diplomatic relations after a 17-year break. A meeting in Washington between President Ronald Reagan and Mr Tariq Aziz, Iraq's Deputy Prime Minister and Foreign Minister, was followed by a White House announcement that ambassadors would be exchanged "as promptly as possible."

The U.S. Administration was quick to point out, though, that the move did not represent a "tilt" towards Iraq in its long-running war with Iran.

Iraq broke relations with the U.S. after the 1967 Middle East war, in protest at U.S. support for Israel. Yesterday's re-establishment of formal ties reflected "a de facto normalisation" of a dialogue between the two countries that had gradually developed over the last few years, U.S. officials said.

The move would not lead to major changes in the U.S.-Iraqi relationship, a White House official said.

It reflected, rather, changes that had already taken place, and the recognition that "candid dialogue" was the best way to manage differences between the two countries.

Iraq had appreciated U.S. efforts to "choke off" arms supplies to Iran from other Western countries, a policy that Washington would vigorously pursue, he said. There was no question, however, of the U.S. sending arms to Iraq.

For its part, the U.S. welcomed the increasingly moderate stand that Iraq had recently taken on wider Middle East issues and the Palestinian question. The U.S. sees Iraq as a "significant player" in the wider effort to reach a Middle East peace settlement, he said.

Mr Aziz, who is to stay in Washington until Thursday, is also to meet Vice-President George Bush, Mr George Shultz, the Secretary of State, Mr Caspar Weinberger, the Defence Secretary, Mr Robert McFarlane, Mr Reagan's National Security Adviser, Congressional leaders and prominent independent foreign policy organisations.

Citibank boosts British automated teller outlets

BY ALAN CANE IN LONDON

CITIBANK, one of the largest banks in the world, will have 800 outlets in Britain open 24 hours a day, seven days a week, through an initiative in electronic banking.

The U.S. bank's UK subsidiary, Citibank Savings, which has about 30 branches in Britain, is part of a consortium of building societies, savings banks and other "non-banks" which has received permission to establish a network of 230 automated teller machines (ATMs or banks-in-the-wall) in the UK.

Funds Transfer Sharing (FTS), the consortium, includes Western Trust and Savings, American Express and the Yorkshire Building Society among its 16 members.

It intends to share its ATM network with those of National Girobank, Abbey National Building Society and the Co-op Bank to create a network of more than 800 machines across Britain. It will be the third largest ATM network in the UK after Barclays Bank and National Westminister. FTS claims it will be the largest ATM network in Europe.

Mr William Murphy of Western Trust and Savings, chairman designate of FTS, said yesterday: "We will eventually be offering what amounts to a full branch service via our ATMs."

The facilities available from the machines – which are likely to be very sophisticated Diebold ATMs from the U.S. – will include bill payment, cash and cheque deposits, travellers cheque dispensing, money transfers, cheque book or statement ordering, "fast cash" dispensing, "mini" statements at the press of a button and immediate branch inquiries.

FTS said this week that it had placed an order of about £700,000 with the UK computing services company Logica and British Olivetti for the hardware and software to run the new system. Olivetti computers will be special fault-tolerant machines built by Stratus of the U.S. Logica's software, called On/2, will also be of U.S. origin.

Unilever Computer Services (UCSL), now a subsidiary of the U.S. computer services company EDS, a subsidiary of General Motors, will manage the network. Mr Murphy said: "Many forward thinking organisations believe there are major benefits for their customers in sharing facilities and many medium-sized financial institutions cannot justify the cost of their own network."

FTS is one of a number of building society and non-bank consortia which have sprung up in the past few months as these financial organisations have realised the benefits of shared electronic systems in competing with the big banks. The Halifax Building Society has established its own network.

EFT, another consortium, is using IBM hardware and U.S.-written software.

Applicants for BT shares may have lost chance

By Charles Batchelor and Andrew Arenda in London

HOPEFUL INVESTORS have filed more than 1m applications for shares in British Telecom but up to one in three has been incorrectly made out. With only a day to go to the Wednesday 10am deadline these applicants risk missing out on the £3.9bn ($4.7bn) share offer.

Hard-pressed stockbrokers around the country who are channelling local applications to the six receiving banks have been working overtime to process the paperwork and correct the errors.

Mr Keith Kiddell, a partner in Westlake & Co, a Plymouth stockbroker said: "We are correcting between 25 and 33 per cent of the applications we are receiving in this office. There is a massive number of potential rejections because of incorrect form-filling."

In Manchester Mr Clive Jones, a director of Henry Cooke, Lumsden, said: "We have been ringing up a lot of investors at home to correct mistakes. If people are not at home in the day we have been taking lists of phone numbers home and calling them in the evening. I was ringing all over the country over the weekend."

Cooke, Lumsden has been taking 2,000 telephone calls a day from inquirers and expects to send out 30,000 prospectuses. In the City of London long queues formed outside the receiving banks to take personal applications.

Cooke Lumsden has had 10 people working full time processing applications and has had to bring in an extra 15 sales staff to help.

Westlake has had its entire workforce of up to 50 people working on handling applications at busy times. Both firms have been working late into the evening in the past few days.

The Post Office said it had handled more than 1m pieces of mail for the BT issue by last Friday and special arrangements had been made to handle a last minute flood of letters.

It said it would hold to its claim to deliver 90 per cent of first class letters on the next working day. The British Telecom prospectus urges applicants to allow at least two days even for first class delivery.

Many people who are making their first share investment are unfamiliar with the form-filling, required while the application form itself is not clear in some respects, stockbrokers said.

The commonest problems to arise are applications for 250, 500 or 1,000 shares. These multiples are not allowed though the note in the prospectus which covers this is not part of the explanatory table.

Applicants who spot an error on their application form and make an alteration do not realise they should initial the change, stockbrokers said.

Demand for shares, Page 8

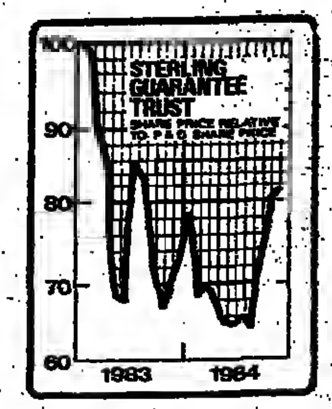
THE LEX COLUMN

Missing link for United

"Well-established family publishing business, strong cash flow, good return on shareholders' equity. Could be sold at fair price to bidder familiar with techniques of issuing paper." If the £82m acquisition of Link House by United Newspapers was not actually arranged in the pages of Exchange & Mart, it is still possible to see how Link's advertisement might have read. And United's response – an offer which might increase its issued capital by over 70 per cent – is right in character for a company which seems in recent years to have printed almost as many share certificates as newspapers.

The merger, like the whiff of underwriting, went down pretty well in yesterday's market. United's shares closed 20p above the underwriting price, at 295p. The multiple of 18 times forecast 1985 earnings that is being paid for Link does involve some dilution for United shareholders in the first year. The market nevertheless recognises that Link's ability to throw off cash – particularly when its tax charge drops from 52 to 35 per cent – will be well harnessed in the larger grouping. Building on the very sound basis provided by Exchange & Mart, United should be able to develop Link's book and magazine activities faster than they were going by themselves.

Although the high rate of re-investment in newspapers has held down United's rate of return in the past couple of years, newspaper profits may soon be due for a bounce as lower operating costs feed through. On that account, a case can be made for sufficient internal growth in United to wipe out the dilution even before the enlarged group draws up its 1985 accounts. Like United's last big acquisition – Gralla Publications in the U.S. – the purchase of Link fits very well into what is now a middle-sized media conglomerate, which looks to have a good flow of earnings on both sides of the Atlantic. And while the placing must dilute established shareholders, it will probably do their share price no harm in the short run for United to make new friends.



Dollar

Falling prime rates in the U.S. yesterday did no more than follow an interest rate path that had been marked out by the Federal Reserve last week. For the present, all that the banks accomplished was to move in line with the newly lowered structure of discount and Fed funds rates. So it could be argued that the dollar's bouncy performance reflected a belief that interest rate differentials would not widen in the near future.

That would at least be more plausible than expecting the funds flowing into dollars to surface straight away in the bond market. Friday's recovery in Treasury prices appeared to be a self-contained adjustment to the Fed's moves. To get anything of a follow through, the market will probably need to persuade itself that one cut in the discount rate is not the end of Mr Volcker's pump-priming. If the M1 figures continue tight, and the next set of indicators is sufficiently gloomy, there might indeed be more to come.

Sterling Guarantee

If Mr Jeffrey Sterling is still attracted to the idea of putting P & O and Sterling Guarantee Trust under the same roof, yesterday's interim figures from SGT will have done his cause no harm at all. The argument that P & O would benefit from the injection of SGT management is given force by an 84 per cent rise in pre-tax profits – to £10.1m – for the half year to September.

To be fair, not all of this improvement can be attributed to the excellence of SGT's management. The investment property business was blessed with a strong dollar, rent reviews worth around £1.6m and a strengthening of SGT's stake in the Keystone building in Boston. Meanwhile, the returns from the P & O investment were to some degree fortuitous – SGT bought most of the shares in time to credit a dividend but late enough in the accounting period to minimise the financing cost.

All that, however, had been well anticipated by the market. What sent the shares up 4½p to a new high of 83p was a 54 per cent increase in the interim dividend and a rise of 38 per cent in the profits of the service industry division. SGT seems successfully to have corrected the seasonal bias towards the second half in exhibition halls and to have reaped the benefit of a stronger economy. Here, at least, there is proof positive of fine management at work.

For the full year, SGT could make around £24m pre-tax – slightly assisted by equity accounting P & O. On the assumption of a 30 per cent increase in the final dividend, the shares yield 4.1 per cent. But whether that dividend is ever paid in that form is another matter entirely.

Chase Manhattan

Chase Manhattan, Simon & Coates and Laurie, Milbank all pronounced themselves delighted and excited about yesterday's coming together. Better still, Chase has a clearly thought out strategy for the international securities markets.

Whether this is cause for celebration is a matter of conjecture. Strategic delight is not exactly unprecedented in deals of this kind and the only numbers which anyone was prepared to vouchsafe yesterday related to staff totals. Even the extent of Chase's initial investment was kept under wraps, so setting new standards of poor disclosure in this already veiled market.

On paper Laurie, Milbank and Simon & Coates look a respectable fit. While neither is in the first division of stockbrokers they should together provide a comprehensive service. Nor is there any reason why Chase should not follow down the path already trodden by Citicorp, Security Pacific et al. The overall impression left by the announcement yesterday, however, was of a deal more defensive than dynamic in quality.

Texaco makes $765m charge to reflect decline in oil price

BY TERRY DODSWORTH IN NEW YORK

TEXACO, the U.S. oil giant that acquired Getty Oil for $10.2bn earlier this year, is making a $765m net charge in the current quarter to reflect the impact of declining oil prices on assets in the industry.

The company said that its action involves the write down of certain assets and a provision for reserves, after a reassessment of the value of some of its activities in manufacturing, transport, exploration and production.

The decision had been made "in light of an evaluation of current and forecast industry conditions as well as the integration of the newly acquired assets."

Texaco's shares lost almost $1 to $33¾ in early trading yesterday after the announcement. The charge compares with nine months profits of $858m, down 12 per cent from a year ago.

About $350m of the writedown is related to 17 foreign-flag, very large crude carriers totalling about 4.6m deadweight tonnes. The reduction of carrying values to estimated realisable values applies to vessels now in lay-up for irregular usage, Texaco said.

It added that it is currently operating crude oil tankers with a capacity of some 4m tonnes.

A further $205m of the writedown includes the effect of reorganisations and redundancies in its refineries division. Four refineries in the U.S. are affected, and a number overseas, including a facility in Trinidad and a mothballed plant in Canada.

The final $210m of the charge relates to the diminished carrying value given to certain exploration prospects and oil and gas related assets, both inside the U.S. and overseas. These interests, in Australia, Louisiana, northern Sumatra and Trinidad, have been "impaired by the outlook for oil and gas prices and revised market forecasts," the company said.

Texaco also announced that its 1984 results would include sales or pending sales of assets of the acquired Getty activities totalling about $2.1bn. Proceeds from these transactions will be available to reduce debt incurred for the acquisition.

The divestments amount to some $900m over the book value of the assets at acquisition, reducing the effective acquisition

Giscard calls for development of EMS and UK membership

BY JONATHAN CARR IN FRANKFURT

THE FORMER president of France, M Valery Giscard d'Estaing, has called for immediate development of the European Monetary System (EMS) and urged Britain to become a full member.

He stressed that even if Britain did not take the plunge, the other members should go ahead with development anyway – but this would be a second-best solution.

M Giscard d'Estaing's comments, at a conference in Brussels, come only weeks after a similar call by the other co-founder of the EMS, ex-Chancellor Helmut Schmidt of West Germany.

They also emerge at a time of growing debate in the European Community states about how the EMS, and its fledgling reserve curreny the Ecu, could be extended

Like Herr Schmidt, the former French president stressed his belief that Britain's reasons for not fully joining the EMS had never been good ones. He recalled that in 1978 when foundation of the EMS was under discussion, Britain had argued the time was not ripe for full membership because sterling was weak.

Later Britain had argued that sterling was liable to special fluctuation as a "petrocurrency." But, M Giscard d'Estaing noted, the currencies of oil-importing, as well as oil-exporting, states were liable to similarly sharp fluctuation too.

Turning to other problems in the way of EMS development, the ex-president said the Bundesbank – the West German central bank – should be pressed "delicately" to change its position.

This was a reference to the Bundesbank's refusal to permit Ecu-denominated bank accounts in West Germany, and its concern that its independence might be undermined by a European monetary body responsible to politicians.

M Giscard d'Estaing said he could well understand the Bundesbank's fears that Ecu might be put at the service of an inflationary monetary policy in Europe.

But he felt sure, appropriate safeguards could be found, both with respect to the Ecu and to the status of a developed European Monetary Cooperation Fund (a body which, its advocates believe, could eventually become a European central bank).

The ex-president also underlined his support for key proposals made by Herr Schmidt – among them removal of capital controls (a process already begun in France) and abolition of the special arrangements for the Italian lira in the EMS exchange rate mechanism.

Swedes borrow on finer terms than big banks

By Peter Montagnon in London

THE SALE by Sweden of $200m in short term money market notes was more than nine times oversubscribed, Citicorp, which handled the auction, announced in London yesterday.

Last week's sale, the first drawing by Sweden on a $4bn loan facility arranged in the summer, fetched an average yield of 0.1483 per cent below the London interbank bid rate for Eurodollar deposits (Libid).

This is the rate at which banks themselves seek to raise deposits in the mooey market. Bankers say the auction confirms their view that Sweden is now able to borrow more cheaply in world markets than many of the banks which traditionally lend to it.

Citicorp said accepted bids for the notes ranged from 0.35 per cent to 0.1356 per cent below Libid, while the total value of bids received was $1.82bn.

The auction results suggest that Sweden will again meet heavy demand when it sells $700m in 20-year floating rate notes by tender later this week.

While Sweden's improving balance of payments has helped its credit rating, these sales show investors prefer to lend their money directly to governments rather than place it on deposit at banks whose reputation have been impaired by the developing country debt crisis.

International Capital Markets, Page 44

U.S. banks cut lending rates

Continued from Page 1

Mr Speakes said. He pointed out yesterday's prime rate reduction, the fifth since September, conformed with President Ronald Reagan's prediction in the spring that interest rates would begin to fall "at the end of the warm weather."

Philip Stephens, in London, adds: The prime rate cuts did nothing to discourage a further rise in the dollar on foreign exchange markets, which contributed to a sharp weakening in sterling's value against other currencies.

The U.S. banks' move to lower interest rates had been widely discounted, and dealers reported strong commercial demand for the U.S. currency.

Part of the dollar's strength was attributed to the need by companies and investors to buy the U.S. currency to make balance sheet adjustments ahead of the end of the year.

Bankers said, however, it also reflected a widely-held view that falls in U.S. interest rates were likely eventually to be matched by similar reductions in Europe, maintaining the differential in favour of the U.S.

There was speculation yesterday that the West German Bundesbank could decide to lower rates at its council meeting on Thursday, although most bankers believe that the strength of the dollar will persuade it to delay any such move.

The dollar closed in Londoo at DM 3.0610, up 3.2 pfennigs from Friday, while the Bank of England calculated that its trade-weighted index rose to 141.9 from 140.8.

Sterling lost ground against European currencies as well as against the dollar, as dealers reported that concern over falling oil prices was continuing to undermine the British currency.

The pound closed in London at $1.1970, down 1.8 cents from Friday.

Wallenberg lifts interest in Swedish Match

By Kevin Done in Stockholm

INVESTOR and Providentia, the Swedish key investment companies in the Wallenberg group of industrial and financial companies, have strengthened their grip on Swedish Match increasing their share of the equity from 7 to 21 per cent.

The two investment companies have been buying shares in Swedish Match steadily throughout the autumn but announced their stronger holding yesterday when both companies' stakes passed the 10 per cent mark. The share purchases would have cost around SKr 250m ($29m) at current market prices.

The two companies already had some 40 per cent of the votes in Swedish Match through concentrated holdings of A shares.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	64	Dubrovnik	C	18	64	Malaga	S	18	64	Salzburg	C	8	46
Akrotiri	S	21	70	Faro	S	19	66	Malta	S	21	70	Seoul	F	8	46
Algiers	-	—	—	Florence	F	17	63	Manila	F	32	90	Singapore	R	26	79
Amsterdam	F	5	48	Frankfurt	F	10	50	Miami	F	25	77	Stockholm	C	2	35
Athens	F	19	66	Funchal	F	19	66	Milan	Fg	11	52	Strasbourg	R	9	45
Bahrain	S	26	68	Geneva	F	9	48	Moscow	C	-1	30	Sydney	S	24	75
Bangkok	S	22	72	Gibraltar	F	19	66	Munich	-	—	—	Taipei	C	23	73
Barcelona	S	19	66	Guernsey	S	10	50	Nairobi	-	—	—	Tangier	S	20	68
Beirut	S	22	72	Helsinki	C	-1	30	Naples	F	18	64	Tel Aviv	[illegible]	[illegible]	[illegible]
Belgrade	S	18	64	H. Kong	[illegible]	[illegible]	[illegible]	Nice	F	19	66	Tenerife	[illegible]	[illegible]	[illegible]
Berlin	F	6	43	Innsbruck	F	6	43	New York	F	12	54	Tokyo	[illegible]	[illegible]	[illegible]
Biarritz	S	19	66	Inverness	S	7	45	Nicosia	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Birmingham	S	11	52	Isle of Man	S	9	48	Oporto	S	14	57	Tunis	[illegible]	[illegible]	[illegible]
Blackpool	S	9	48	Istanbul	S	15	59	Oslo	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Bordeaux	F	11	52	Jersey	F	11	52	Paris	S	9	48	Venice	[illegible]	[illegible]	[illegible]
Boulogne	F	11	52	Jo'burg	C	27	81	Perth	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Bristol	F	12	54	Las Palmas	S	22	72	Prague	F	6	43	Warsaw	[illegible]	[illegible]	[illegible]
Brussels	S	11	52	Lima	F	21	70	Reykjavik	S	6	43	Zurich	[illegible]	[illegible]	[illegible]
Budapest	S	6	43	Lisbon	S	21	70	Rhodes	S	20	68				
B. Aires	F	18	64	Locarno	[illegible]	[illegible]	[illegible]	Rio de J	C	30	86				
Cairo	F	21	70	London	S	9	48	Rome	S	18	64				
Cape Town	S	21	70	Los Angeles	C	18	64								
Cardiff	S	11	52	Luxembourg	S	3	37								
Casablanca	C	26	79	Luxor	[illegible]	[illegible]	[illegible]								
Chicago	C	17	63	Madrid	S	13	55								
Cologne	S	7	45	Majorca	S	19	66								
Copenhagen	C	5	41												
Corfu	F	18	64												
Dublin	S	7	45												

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Harvester sells division

Continued from Page 1

agreed that the deal is a necessary and important step to rationalise a sector plagued by large losses over the past few years.

Under pressure of low commodity prices and the strong dollar, U.S. farm equipment sales have remained depressed this year, and some estimates suggest that capacity is around 50 per cent more than currently required.

Apart from the Rock Island closure, there is considerable scope for rationalisation of the two companies' production in Europe. Case has factories at Huddersfield and Leigh in north-west England. IH has plants at Doncaster in the north of England, Neuss in West Germany and Croix and St-Dizier in France.

In Britain, both make medium-sized tractors. IH's Doncaster plant produces more than 20,000 units a year in the 40 to 90 horsepower range and Case's Huddersfield plant produces about 15,000 units a year ranging from 48 to 108 horse power.

IH's St-Dizier and Neuss plants assemble large tractors and are under-used. The St-Dizier plant also produces cabs for all IH's European tractors while the Neuss plant makes the engines.

Great Western bank move

By William Hall in New York

GREAT WESTERN Financial, the third biggest U.S. savings and loan, has thrown down the gauntlet to the big U.S. commercial banks and applied for permission to open 16 nationally chartered banks.

Great Western Financial, which has assets of $23bn, is believed to be the first major savings and loan to attempt to exploit the recently noticed loophole in U.S. banking rules which allows banks to avoid bans on inter state branching by setting up limited service banks, or "non-bank banks" in the states.

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FINANCIAL TIMES
Tuesday November 27 1984

Gulf & Western wins Prentice-Hall with offer worth $705m

BY OUR FINANCIAL STAFF

GULF & Western, the New York-based conglomerate, sppears to have won its battle to take over Prentice-Hall, the U.S. publishing group.

The two companies said yesterday that they had reached a definitive agreement for the acquisition hy G&W of all the outstanding common stock of Prentice-Hall for $71 a sbare. This represents a $1 increase over the previous offer, and values Prentice-Hall at $705m.

Mr Donald Schaeffer, Prentice-Hall's president and chief executive, said that the board had unanimously determined that the amended offer was fair to shareholders, who are recommended to accept the deal.

Mr Schaeffer said he was delighted to have reached an agreement with G&W, which "understands the unique requirements of our business and has demonstrated its commitment to the publishing industry."

Earlier this month Prentice-Hall bad rejected the previous $70 a share offer as "inadequate" but its response was clearly designed to leave the door open to a higber hid. The previous tender offer will be amended for the new price, and followed by the merger of Prentice-Hall with a subsidiary of G&W.

G&W has also been granted an option to huy 5m new Prentice-Hall sbares at $71 apiece. These, if purchased, would represent about 33 per cent of the expanded equity.

The acquisition is a further sign that G&W under its recently appointed chairman Mr Martin Davis has identified publishing as a major area for expansion, following the sale of much of the company's investment portfolio built up under former chairman Mr Charles Bluhdorn.

Colombian bank agrees debt refinancing

BY SARITA KENDALL IN BOGOTA

COLOMBIA'S biggest commercial bank, the Banco de Colombia, has come to a preliminary agreement with its foreign creditors to refinance between U.S.$530m and U.S.$550m in deht due since the end of last year. Although Colombia's public foreign debt of nearly U.S.$7bn is well structured by Latin American standards North American and European bankers have beeo concerned about private sector obligations.

The Banco de Colombia's agreement with a group led by Bankers Trust bas government backing and is expected to improve the country's image at s time wheo Colombia is looking for further credit abroad. It covers $110m to $130m in the short term to December 1986 and $420m over seven years, with 2½ years' grace. The latter sum is to include nearly $150m contracted by the Banco de Colombia subsidiary in Panama, an important precedent for other Colomhian banks with Panamanian subsidiaries.

Since the beginning of this year Sr Ignacio Copete, s former manager of the central bank, has been in charge of putting the Banco de Colombia in order. One of the first steps is to be the capitalisatioo of the bank, with the issue of some $90m in bonds, to be converted to shares after five years. The Colombian Governmeot recently created a special fund at the central bank to help capitalise banks weakened as a result of economic recession and foundering debtor companies.

UNRAVELLING THE PROBLEMS OF THE WORLD'S LEADING TISSUE MAKER

Scott tidies up the paperwork

BY WILLIAM HALL IN NEW YORK

WHEN Philip Lippincott took over as chief executive of Scott Paper in February 1982, he knew that he was going to have his work cut out if he was to ensure that the world's leading manufacturer of tissue was to remain independent.

He inherited a poorly managed company whose famous brand names had once dominated the industry but were now limping as s result of the inroads of newcomers to the tissue husiness, such as Procter and Gamble. Scott's net incoma, after reaching a plateau of just over $130m at the end of the 1970s, had plummeted to $74.5m in 1982.

Even before he took over, the alarm bells were ringing at Scott's Philadelphia headquarters. Brascan, a fast expanding and successful Canadian investmeot company beaded by Mr Peter Bronfman, bad recently acquired a strategic stake in the company and let it be known that it would like to own 50 per cent. With 3m acres of timberland in the books at a fraction of its value, the company's shares were trading at less than half stated book value, and Scott looked an obvious takeover target.

Brascan still has its stake (recently increased to 25 per cent) but Scott Psper no longer gives the impression of being such an easy takeover target. It has raised its dividend for the first time in four years and the shares are now trading close to their all-time high.

Scott Paper, which used to be described as the Cadillac of the industry, is in a much more confident mood, underlined hy its decisioo to list its shares on the London Stock Exchange, where trading starts today. Its earnings have bounced back dramatically from their 1982 low and oet income in the first nine months of 1984 is 55 per cent ahead at $137.1m.

The 48-year-old Mr Lippincott likes to measure his company's performance against a dozen major competitors or "stalking horses" as he prefers to call them. He notes that on the basis of return on investment, Scott has moved from 12th place in 1980 to fifth place currently, behind Fort Howard, Consolidated Papers, Kimberly-Clark and Union Camp, but ahead ol companies like Westvaco, Crown Zellerbach, and International Paper.

Scott's rise in the pecking order is partly a reflection ol the decline in the returns on investment at its rivals. As they recover, Scott will probably drop to seventh place in 1984. Mr Lippincott, however, is confident that the fruits of the the company's ambitious $1.6bn capital investment programme, started near the low point in the company's fortunes, are beginning to show through.

Scott is nearing the end of a five year investment programme, the primary aim of which has been to reduce energy costs and expand and streamline the group's extensive papermaking operations. Over 3,000 jobs bave been shed from the workforce over the last couple of years, most of the group's non-paper interests have been sold ofi and considerable management time has been spent oo turning round the important tissue-making operations, which have traditionally accounted for around two-thirds of Scott's sales.

When Scott started remodelling its domestic tissue operations its production costs were between $150 and $200 per ton more than those of the most efficient producers such as Fort Howard and Georgia Pacific. Scott has gone a long way towards narrowing the gap and this bas been reflected in net operating margins in the domestic tissue business which have risen from 3.5 per cent in 1981 to over 10 per cent in the third quarter of 1984.

Between 1981 and 1982, Scott's tissue sales stagnated at around $1.5bn a year, hut operating profits more than doubled to $143.3m. The sharp improvement coincided with no price increases in the relstively mature U.S. tissue industry, so the upturn is all the more remarkable.

Although he is pleased with the speed of the recovery in Scott's traditional tissue business, Mr Lippincott is well aware that there is a limit to the one-off benefits which

Mr Philip Lippincott

can be gained from cost reduction. His company also has to bring on new products to replace many of the company's older and more slow growing lines.

Competition in the U.S. market is worse than he had expected when Scott put together its long-term investment plans and some of the older industry capacity which Scott had counted on being scrapped continues to operate.

In 1984, Scott began to see price increases again in the US tissue business, but it will soon have to decide whether to invest more money in its tissue operations or expand the capacity of its successful coated paper business, which operates under the S.D. Warren name. The latter earns over 11 per cent on investment compared with the 8 per cent return on Scott's tissue business and the market is growing considerably faster.

Scott's new 200,000 tons per year paper machine at Skowhegan, Maine, is producing lighter weight coated paper for the fast growing catalogue paper market and it could not have come on stream at a better time. S.D. Warren's annual operating profits, which have oscillated between $30m and $60m over the last four years, have moved ahead sharply as a result of the new capacity. This is the only one of Scott's three primary areas of business which have done better than expected.

Scott's international tissue business, like its domestic tissue business, has failed to live up to expectations. Scott's share of the earnings of its international affiliates had risen rapidly during the late 1970s to around $44m in 1979-80. Since then international earnings have been both sharply lower and erratic. They contributed a near £40m loss in 1982, principally due to problems in Mexico, recovered to $28.6m in 1983 and are likely to be down again in the current year. In the first nine months, international earnings are over a third down.

Over the long term, Scott is more bullish about the potential of its overseas markets than it is about the domestic U.S. market. "If the U.S. consumes 20 kg per person of tissue products a year, most other countries with the exception of Scandinavia, Canada and Japan, consume around 4 to 5 kg a year," said Mr Lippincott.

Competition in Scott's overseas markets tends to be less fierce and Scott has the advantage of a strong position in tissue technology which gives it entry to markets where it might find it difficult to compete otherwise. In common with its domestic operations, Scott suffers from spreading its management skills too thinly overseas. It operates in 18 foreign countries and is in the midst of reducing the number to perhaps a dozen, where it can best deploy its resources. In addition, it is moving more towards effective control rather than minority partnerships.

Mr Lippincott is very conscious that despite Scott's recent turnround, the company is still vulnerable, particularly from Brascan, which will be free to increase its stake beyond 25 per cent from January 1 1986, when the current standstill agreement expires.

"We had a 4 per cent rate of return on our business a couple of years ago. We are currently between 8 and 9 per cent and we have got to get to a return of between 12 and 14 per cent before we have a good business," added Mr Lippincott.

New Chinese owners restructure troubled Conic Investment

BY DAVID DODWELL IN HONG KONG

CONIC Investment, the Hong Kong electronics group rescued by mainland Chinese interests in June, has finally published the details of a HK$295m (U.S.$37.7m) capital reconstruction and share issue plan that is intended to reduce the company's dehts. These stood at HK$1.03bn at the end of September.

Although Conic is not willing to make any profits forecast for 1984 because of the need to take "further steps to stem losses" at its second largest subsidiary and the possibility of further write-offs, the group said over the weekend that five of its eight operating subsidiaries are now turning in profits.

The moves are significant not ooly because of scandal surrounding the near-collapse nf the group, which with its associate, Honic, is Hong Kong's largest electronics group, but because the reconstruction now in progress is the first attempted hy a mainland Chinese group. Its main products are colour television sets, radio cassette recorders and watches.

The group revealed sales for the first eight months of 1984 at a record level of HK$1.05bn – 40 per ceot up on the same period in 1983. More than 70 per cent of these earnings came from the sale of televisions and radio cassette recorders.

It oevertheless reported s deficit on its profit and loss account at the end of August of HK$383m. This included losses of HK$40m during the first eigbt months due to "working out" an unprofitable order book and to the high level of interest charges.

Conic is now controlled by Sin King, a joint venture set up by the Bank of China and China Resources, the mainland's main trading arm in Hong Kong. In January this year, it acquired s 34.8 per cent stake in Conic in return for a casb injection of HK$178m.

Only in June, wben the group called a three week suspension in share trading, did the extent of its prohlems become clear. Founder and chairman Mr Alex Au Yan-Din, and some other directors disappeared, while the group announced losses for 1983 of HK$374m.

The capital reconstruction involves replacing the existing HK$1 shares with shares with a nominal value of 30 cents, then consolidating sbares on a 10-into-three hasis. This will reduce Conic's issued share capital from HK$517m to HK $155m. Conic will then raise HK $295m by placing ooe new sbare for every consolidated share at a price of HK$1.90. This is equivalent to 57 cents per existing share, and compares with a closing price on Friday of 60 cents.

Sin King bas undertaken to subscribe for all new shares not taken up by other shareholders, which could increase its shareholding to 67.4 per cent.

United Breweries improves

BY HILARY BARNES IN COPENHAGEN

UNITED Breweries, the Danish group which produces Carlsberg and Tuborg beers, and now sells more beer outside Denmark than domestically, proposed an unchanged 15 per cent dividend after improving pre-tax profits by 6.8 per cent from DKr 818m ($57.2m) to DKr 860m and sales, net of excise taxes, by 9.2 per ceot, from DKr 7.17bn to DKr 7.83bn in the year ended September 30.

Danish sales stagnated in the face of poor summer weather and tax increases.

The result wes affected by a reduction in depreciation from DKr 481m to DKr 473m, while net interest expenditure was cut from DKr 33m to DKr 14m.

Commerzbank maintains earnings

BY JOHN DAVIES IN FRANKFURT

COMMERZBANK, the West German commercial baok, expects group operating profit to exceed DM 1bn ($330m) this year for the second year in successioo.

Dr Walter Seipp, chief executive, said the bank would again give high priority to risk provisions and to streogibening its reserves. He iodicated that provisions for foreign country risks would be increased, but said that domestic risk provisions might be less than last year.

He declined to be drawn about the likely dividend, but indicated there was no question of a lower payout. Commerzbank paid DM 6 per DM 50 nominal share on last year's buoyant results after passing its dividend for three years.

In the first 10 months of this year, the parent bank's partial operating profit—interest aod commission earnings, minus personnel aod material costs—was DM 527.3m, 8.2 per cent less than the proportioo of last year's earnings achieved in the same period.

Dr Seipp pointed out that at the half way stage partial operating earnings had been lagging as much as 14.9 per cent behind last year. But earniogs had been improving month by month since April, partly because of better interest rate margins and a more favourable climate in the share and bond markets.

The baok's net interest rate surplus reached DM 1.5bo in the first 10 months, 0.8 per cent up oo last year. Net commission earnings were 3.9 per cent ahead at DM 522m.

The sharpest increase on the costs side came from outlay on materials, mainly continuing heavy expenditure on data processiog equipment. Material costs rose 11.5 per cent to DM 416.7m.

Dr Seipp said that the parent bank's total operating profits, which take account of earnings from the bank's trading on its own behalf, had developed this year in much the same way as partial operatiog earniogs.

As a result, the parent bank's operating profit this year would probably come close to last year's record result.

Domestic subsidiaries would also approach last year's good results, Dr Seipp said. Foreign subsidiaries would do better, although Luxembourg profits would be set aside entirely for risk provisions

Commerzbank had been continuing its policy of giving more emphasis to long-term refinancing and of reduciog its liabilities to other credit institutions.

Dr Walter Seipp

Three more French state banks are merged

By David Marsh in Paris

CREDIT Commercial de France (CCF), the seventh largest French state owned commercial bank, is linking up with two smaller nationalised banks, the struggling L'Européenne de Banque and the profitable Union de Banques à Paris (UBP) in another government-engineered restructuring deal.

The agreement, reached after months of complex negotiations, will give a state-controlled holding company, Compagnie Financiere du Credit Commercial de France, a 51 per cent stake in all three banks.

The holding company, owned 90 per cent by the state with the three banks themselves owning residual small stakes, will be chaired by M Claude Jouven, the CCF chairman.

L'Européenne de Banque, the former French Rothschild bank, has made heavy losses since the state takeover in 1982, resulting mainly from pre nationalisation activities. To put the bank on a sound financial footing, M Jouven said L'Européenne de Banque would receive FFr 200m ($21.6m) in capital from the state and the holding company, and FFr 220m in low cost bank loans.

The protracted nature of talks over the operation mainly reflected UBP's reluctance to be swallowed up by a larger group.

N. AMERICAN QUARTERLY RESULTS

ACME-CLEVELAND
Tools

Fourth quarter	1983-84 $	1982-83 $
Revenue	89m	39m
Net profits	7.5m†	20.8m†
Net per share	1.25†	4.72†
Year		
Revenue	213m	173m
Net profits	11.4m†	32m†
Net per share	2.11†	7.29†

† Loss

CARNATION
Dairy, food products

Third quarter	1984 $	1983 $
Revenue	864.8m	850.8m
Net profits	37.5m	37.2m
Net per share	1.07	1.07
Nine months		
Revenue	2.56bn	2.48bn
Net profits	149.6m	142.7m
Net per share	4.29	3.98

GEORGE WESTON
Grocery stores, food products

Third quarter	1984 $	1983 $
Revenue	2.46bn	2.33bn
Op. net profits	27.3m	23.4m
Op. net per share	2.16	1.82
Nine months		
Revenue	6.21bn	5.89bn
Op. net profits	58.8m	51.4m
Op. net per share	4.38	3.73

LOWE'S
Building materials

Third quarter	1984 $	1983 $
Revenue	447.7m	382m
Net profits	17.7m	14.2m
Net per share	0.49	0.83
Nine months		
Revenue	1.3bn	1.1bn
Net profits	50.9m	41.1m
Net per share	1.41	1.14

BAKER INTERNATIONAL
Oilfield tools and services

Fourth quarter	1983-84 $	1982-83 $
Revenue	481.7m	451.8m
Net profits	24.6m	13.3m
Net per share	0.35	0.19
Twelve months		
Revenue	1.83bn	1.82bn
Net profits	78.6m	153.6m†
Net per share	1	0.91†

† Loss

CAVENHAM (USA)
Generale Occidentale subsidiary

Second quarter	1984-85 $	1983-84 $
Revenue	584m	865.6m†
Net profits	821.00	38.1m
Net per share	—	—
Six months		
Revenue	1.36bn	1.91bn
Net profits	1.45m†	49.7m†
Net per share	—	—

† Loss

HAMILTON OIL
Oil and gas

Third quarter	1984 $	1983 $
Revenue	60.3m	53m
Net profits	7m	1.7m
Net per share	0.25	0.04
Nine months		
Revenue	167.9m	165.2m
Net profits	14.2m	10.7m
Net per share	0.50	0.60

TOYS 'R' US
Speciality toy retailer

Third quarter	1984 $	1983 $
Revenue	321.7m	220.7m
Net profits	10.3m	6.1m
Net per share	0.16	0.11
Nine months		
Revenue	868.9m	618.4m
Net profits	31.8m	18.5m
Net per share	0.55	0.33

BRASCAN
Industrial holding company

Third quarter	1984 C$	1983 C$
Revenue	57.1m	60.5m
Net profits	24.5m	25.8m
Net per share	0.53	0.75
Nine months		
Revenue	178.5m	208.3m
Net profits	72.3m	87.4m
Net per share	1.61	1.78

CENTEX
Homebuilding, construction

Second quarter	1984-85 $	1983-84 $
Revenue	313.6m	283.7m
Net profits	12.9m	13.2m
Net per share	0.85	0.88
Six months		
Revenue	612.7m	540.8m
Net profits	25.1m	25.9m
Net per share	1.26	1.30

HOUSTON INDUSTRIES
Utility holding company

Fourth quarter	1983-84 $	1982-83 $
Revenue	1.15bn	1.15bn
Net profits	131.3m	131.4m
Net per share	1.57	1.50
Year		
Revenue	4.27bn	3.96bn
Net profits	261.4m	127m
Net per share	3.74	1.52

Japan to supervise bank forex more tightly

TOKYO—The Bank of Japan is to tighten its supervision of the foreign currency exchange activities of Japanese banks following the reporting of losses by Fuji Bank.

On November 7, Fuji Bank reported a Y11.5bn ($46.9m) foreign exchange loss at its New York branch and Japanese Ministry of Finance officials began an investigation in New York yesterday.

The ministry is responsible for all activities of Japanese banks abroad and the Bank of Japan for their foreign exchange activities.

The Bank of Japan described Fuji's loss as very regrettable. "We are hoping for stronger control of exchange transactions by bank managements and we will be keeping a closer watch on what they are doing," said an official.

He noted that in the Fuji Bank case the management was not aware of the activities of their chief New York dealer.

The accumulation of such foreign exchange losses could be attributed partly to the development of 24-hour trading and insufficient staff at foreign branches, said the official.

The Bank of Japan occasionally despatches supervisory teams to foreign branches of Japanese banks with the permission of local regulatory authorities. The official said this system would continue on the same scale in terms of the number of people involved but contacts would be intensified.

Reuter

Wong Sulong on the growth strategy of a plantation major

Sime breaks away from tradition

SIME DARBY, Malaysia's largest and most diversified non-oil company, has been on the acquisition trail again, after having been quiet since 1979, when it made an abortive 1bn ringgit bid for the Guthrie Corporation.

Within the past three months, it has acquired three new "core businesses"—property development, insurance and manufacturing—to add to its traditional base in plantations and heavy equipment.

The latest deal involving the purchase for 104m ringgit (U.S.$43m) of 51 per cent in Dunlop Malaysian Industries (DMI) from Dunlop Holdings of the UK will provide Sime with the manufacturing base. Tunku Ahmad Yahya, Sime's chief executive modestly described this in an interview as a "good deal."

Malaysian financial circles were emphatic that Sime had got DMI, maker of tyres, sports goods and mattresses, at "rock bottom prices." They said had circumstances been more favourable to Dunlop, the UK company might have obtained as much as 180m ringgit for its stake in DMI. The accepted offer values DMI at only 68 cents per share when its price is 1.3 ringgit on the currently depressed Malaysian stock exchange. Thirty months ago, Sime approached Dunlop with an offer, believed to be around 175m ringgit.

Then Dunlop agreed to sell its stake to Pegi, the Malaysian investment company, and the biggest single shareholder in Dunlop, for 255m ringgit. However, this deal, and a later modified version, were never consumated.

Circumstances have now now changed and Dunlop, which is in the midst of a massive restructuring exercise, badly needs cash to reduce its crippling debts.

DMI's performance had also slipped. After-tax profits fell from a record 27.6m ringgit in 1980 to 21m ringgit last year.

The vehicle for the purchase of DMI is Consolidated Plantations, the 63 per cent owned subsidiary of Sime. Conplant has had its best ever year with high commodity prices and land sales, and its cash reserves exceed 400m ringgit.

For Tunku Ahmad, the purchase must be satisfying. He was DMI's managing director before joining Sime seven years ago, and has proved to be one of the most astute Malaysian businessmen around.

Sime's priority now is to reverse DMI's profit slide. "DMI used to be the market leader a few years ago. We intend to regain that position," said Tunku Ahmad. In the medium term, he sees the interesting prospect of a joint trading company between Sime and DMI, each tapping the other's respective strengths for new businesses in the Far East.

Insurance merger

Apart from tyres, DMI is a leader in carbon fibre, and oil and marine hoses, and Sime has an expanding oil services division.

Equally significant for Sime's future are the merger of its insurance business with East-West Insurance and Sime's offer to take over United Estates Projects, the developer of the highly successful Subang Jaya Township outside Kuala Lumpur.

An analysis of Sime's results throws much light on why the group is breaking away from its traditional activities. For while in the year ended June, Sime increased after-tax profits by more than 50 per cent to 85m ringgit on a turnover of 2.4bn ringgit. The turnaround was largely due to the plantations division, and came particularly from higher palm oil prices. Sime has 200,000 acres of oil palm, rubber and cocoa.

"If you take away the high palm oil prices, the picture for the last financial year would be pretty dismal," comments one analyst.

Plantations can still be relied upon to give a steady, if somewhat unimpressive income. But Sime's tractors division, despite having undergone some savage cost-cutting over the past two years, is unlikely to see the sort of profits of the 1970s. Further the boom in the logging and construction industry is over, and may never return.

"What we are looking for is a balanced spread of strategic core businesses—perhaps five or six, each under their respective listed companies—with a strong presence in the Asean region and with links around the world. We want Sime to be a Malaysian-based conglomerate, like some of the Japanese giant concerns, and we are beginning to look that way," said Tunku Ahmad.

The insurance merger would give Sime 50 per cent in an enlarged East-West insurance, which would have annual premium income of 70m ringgit and shareholders funds of 65m ringgit — large by Malaysian standards.

"This is the beginning. We are now in a position to do bigger things in the insurance industry and this is in line with Malaysia's policy of developing our invisibles to reduce the balance of payments deficit," said Tunku Ahmad.

Attractive offer

Sime, which has brought over 32 per cent of UEP, from two companies, which until recently were controlled by Mr Daim Zainuddin, the Finance Minister, is now making an offer for the rest of the company.

The offer of three Sime shares for two UEP shares is attractive and if fully taken up, would increase Sime's paid-up capital from 392m ringgit to 543m ringgit.

Sime would then become the biggest company on both the Malaysian and Singapore stock exchanges in terms of paid-up capital, and second to the Overseas Chinese Banking Corporation in market capitalisation.

Apart from its valuable land holding in Subang Jaya, UEP has begun developing another township near Pasir Gudang port in Johore. It also has 36 per cent in Shaw Brothers Malaysia, the cinema operator, which has some very strategic city locations, ripe for redevelopment.

With Sime's own massive property holdings, the development potential for UEP, as a member of the Sime group, is enormous.

Group's capital asset is not 'trading stock'

COATES (INSPECTOR OF TAXES) v ARNDALE PROPERTIES LTD

House of Lords (Lord Keith of Kinkel, Lord Edmund-Davies, Lord Bridge of Harwich, Lord Brandon of Oakbrook and Lord Templeman): November 22 1984

A CAPITAL asset sold by one company to another within the same group is not "trading stock" entitling the group to relief for corporation tax purposes if it is ultimately retained within the group as a capital asset and was sold not as stock-in-trade, but solely as a device for converting one company's potential capital loss into a trading loss to be set by group members against their trading profits.

The House of Lords so held when dismissing an appeal by Arndale Properties Limited from a Court of Appeal decision in favour of the Inland Revenue that an alleged loss made when it sold a lease to another company in the same group was not a trading loss entitling the group to relief for corporation tax purposes. Arndale was one of three subsidiaries wholly-owned by one parent company, Town and City Properties Limited. The others were Sovereign Property Investments Newport) Limited (SPI) and Arndale Property Trust Limited (APTL).

Section 258 of the Income and Corporation Taxes Act 1970 provides: "Relief for trading losses . . . may . . . be surrendered by a company which is a member of a group of companies and, on the making of a claim by another company . . . which is a member of the same group, may be allowed to the claimant company by way of relief from corporation tax called 'group relief.'"

* * *

LORD TEMPLEMAN said that SPI, the first wholly-owned subsidiary in the group, carried on business as a property developer. It acquired a lease of land at Newport, Gwent, and developed the site at a total cost of £5.3m. The market value on March 30 was £3.1m, so SPI faced a potential capital loss of £2.2m.

The second subsidiary, Arndale, carried on business as a property dealer. Any losses it incurred in carrying on that business were trading losses which could be set off against its trading profits or those of any other member of the group.

There were therefore sound commercial reasons for converting SPI's potential capital loss into a trading loss suffered by Arndale.

On March 30, 1973, SPI assigned the lease to Arndale. The price paid was £3.09m. The object was to enable Arndale to convert the potential capital loss of £2.2m which threatened SPI into a trading loss to be suffered by Arndale and then to be available for distribution between all members of the group to set against trading profits.

That conversion was made possible by legislation, but only if Arndale acquired the lease "as trading stock" for the purposes of its property dealing business.

The third subsidiary, APTL, carried on business as an investment company. On March 30 Arndale assigned the lease to APTL for £3.1m. The effect of that assignment was to ensure that the lease became a capital asset of APTL and thus remained a capital asset of the group.

The legislation which conferred power on a group of companies to procure the conversion of a potential capital loss into a trading loss provided certain conditions were fulfilled, included sections 274(1) and 258 of the Income and Corporation Taxes Act 1970, and paragraph 1 of Schedule 7 to the Finance Act 1965.

If Arndale purchased the lease from SPI "as trading stock" [within section 274(1)] for the purpose of its property dealing trade, then it might [under paragraph 1(3) of Schedule 7] elect that the acquisition cost of the lease should be entered in its trading accounts as £5.3m and not£3.1m. Thus, when it sold the lease to APTL for £3.1m, it would suffer a trading loss of £2.2m for corporation tax purposes.

Provision was made for such a trading loss to be applied for the benefit of the group [see section 258].

Arndale claimed that it acquired the lease "as trading stock," and pursuant to that claim it elected that paragraph 1(3) of Schedule 7 should apply. It surrendered its relief from the alleged trading loss of £2.2m to other members of the group.

It submitted that it was carrying on its trade as a property dealer when it bought and sold the lease and that the purchase from SPI and sale to APTL were no different in substance from a purchase or sale from or to persons having no connection with the group. It said that it bought the lease as trading stock and traded with it.

Arndale never decided to acquire, and never did acquire, the lease as trading stock. The group's advisers procured the transfer of the lease from SPI to Arndale and from Arndale to APTL with the object of obtaining group relief of £2.2m trading loss without in fact changing the lease from a capital asset to a trading asset.

The group sought the advantage of treating the lease as trading stock while ensuring that the group retained it as a capital asset at all times.

Arndale followed instructions and lent to the transaction its name and its description as a property-dealing company. It did not trade and never had any intention of trading with the lease.

In order to give the whole transaction a faint air of commercial verisimilitude, the trading company, Arndale, was awarded the modest sum of £10,000 for entering into two assignments of property worth over £3m. The award of £10,000 was ostensibly made at the expense of APTL which paid Arndale £10,000 more than the price paid by Arndale to SPI.

In reality the award of £10,000 was made at the expense of SPI which sold the lease for £10,000 less than the market value assessed by the group.

The profit of £10,000 was a timid veil designed to conceal the fact that the lease was not being traded. Moreover, all three companies being wholly-owned subsidiaries of the same parent, the £10,000 was a book entry which had no material effect on the overall financial position of the group.

Arndale did not acquire the lease as "trading stock" within section 274 (1) of the 1970 Act and therefore was never in a position to exercise the election provided by paragraph 1 (3) of Schedule 7 to the 1965 Act.

The legislature had expressly provided a method of tax mitigation designed no doubt to ensure that a group of companies was in no worse position than an individual whose activities embraced all the activities of a group. The taxing statutes allowed a potential capital loss to be converted into a trading loss in respect of an asset which became part of the stock-in-trade of the trading activities of the group.

The lease never became part of the trading assets of any company in the group. The Court of Appeal reached the same decision and the appeal must be dismissed.

Lord Keith, Lord Edmund-Davies, Lord Bridge and Lord Brandon agreed.

For Arndale: Andrew Park QC and Michael Flesch QC (Speechly Bircham).

For the Revenue: Jonathan Parker QC, John Mummery and Peter Goldsmith (Inland Revenue Solicitor).

By Rachel Davies
Barrister

In *Clough Mill n Martin (FT, November 20)* solicitors for Clough Mill were Michael P. D. Weston, agent for Foysters, Blackburn.

The next Commercial Law Report will be published on Friday.

JAPANESE RESULTS

KANSAI ELECTRIC POWER		
POWER UTILITY Six months to	Sept '84 Y	Sept '83 Y
Revenues (bn)	1,094	1,043
Pre-tax profits (bn)	66.13	67.92
Net profits (bn)	29.05	22.36
Dividend	25	25
PARENT COMPANY		

ORIENT LEASING		
Year to	Sept 84 Y	Sept 83 Y
Revenues (bn)	295	266
Pre-tax profits (bn)	7.56	5.66
Net profits (bn)	2.86	2.21
Net per share	58.82	60.48
Dividend	12	11
PARENT COMPANY		

SANKYO PHARMACEUTICALS		
Six months to	Sept 84 Y	Sept 83 Y
Revenues (bn)	118	114
Pre-tax profits (bn)	10.79	11.77
Net profits (bn)	4.03	4.50
Dividend	3.75	3.75
PARENT COMPANY		

SNOW BRAND MILK PRODUCTS		
Six months to	Sept 84 Y	Sept 83 Y
Revenues (bn)	234	226
Pre-tax profits (bn)	5.50	4.33
Net profits (bn)	1.87	1.31
Dividend	—	—
PARENT COMPANY		

TAKEDA CHEMICAL PHARMACEUTICALS		
Six months to	Sept 84 Y	Sept 83 Y
Revenues (bn)	242	246
Pre-tax profits (bn)	24.53	25.77
Net profits (bn)	9.83	10.17
Net per share	12.51	13.28
Dividend	3.75	3.75
PARENT COMPANY		

TEIJIN TEXTILES		
Six months to	Sept 84 Y	Sept 83 Y
Revenues (bn)	214	207
Pre-tax profits (bn)	12.89	3.74
Net profits (bn)	3.03	3.58
Net per share	7.64	7.24
Dividend	3.0	2.5
PARENT COMPANY		

TOKYO ELECTRIC POWER		
POWER UTILITY Six months to	Sept '84 Y	Sept '83 Y
Revenues (bn)	1,970	1,852
Pre-tax profits (bn)	95.69	104.95
Net profits (bn)	47.38	51.29
Net per share	36.45	39.46
Dividend	25	25

UK COMPANY NEWS

Chamberlain Phipps profit expands to over £2.5m midway

GROWTH IN the general industries division has enabled Chamberlain Phipps to increase its pre-tax profit from £2.02m to £2.55m in the half year ended September 30, 1984. That side of the business now accounts for over 40 per cent of the operating profit.

Provided there is no unforeseen changes in the UK or world economy, the directors express their confidence that the result for the 1984-85 year will show growth, as well as providing "a sound base for the future." Last year the group made a profit before tax of almost £4.72m.

The general industries division is benefitting from the strategy of further investment in the manufacture of adhesives, sealants, mastics and insulation cladding. Since last April, Tanner Chemicals of the U.S. has been included in the results. It contributed some £350,000-£400,000 for the half year, and for the full 12 months should make its expected £800,000 profit.

The other division, shoe components, had a mixed experience, with the UK maintaining its level of operating profit but Canada and the U.S. suffering reverses in their fortunes.

In Canada the two subsidiaries' results are more affected than ever before by seasonal fluctuations, following the introduction of the Vimod thermoplastic rubber boot range. The second half is expected to show an upturn.

Viaflex America has been affected by the large increase in imported footwear and is seeking to develop products for additional markets by adopting new technology already in use in other parts of the group.

Group turnover for the six months rose from £33.23m to £45.91m and operating profit from £2.36m to £3.13m. Interest charges were substantially higher at £587,000 (£355,000).

After tax £1.08m (£647,000) and minorities £130,000 (£143,000), the attributable profit comes out at £1.34m (£1.23m). Earnings are shown at 3.8p (4.8p) per share and the interim dividend is again 1.1p net per share.

More Company News and Bids and Deals, Pages 26–28

comment

Chamberlain Phipps offers first-hand evidence of the impact of the strong dollar on U.S. manufacturing industry. Its American subsidiary supplying parts to shoe makers suffered from the knock-on effect of a flood of imported shoes and will do well to break even this year after a very strong performance last year. This reverse was enough to take the shine off the interims and provoke some mild disappointment in the City. But other companies in the shoe components division are doing well, particularly in the UK where 1984 has been a strong year for shoe sales. However, the group's future lies in the general industries division, which makes adhesives for a wide range of uses. Here, the acquisition of Tanner Chemical in April has added about £300,000 to post-interest profits. For the year, the group should make £6m pre-tax (somewhat less than was forecast six months ago), which puts the shares, down 1½p to 88p on a multiple of 8.5p on a 35 per cent tax charge. At this level the shares are well supported by a yield of about 6.5 per cent, assuming a reasonable increase in the final dividend.

Telecomputing ahead of forecast at £0.4m

Telecomputing pushed its pre-tax profits up from £300,277 to a record £403,015 over the year to September 30, 1984, thus beating its prospectus forecast of not less than £350,000 by 15 per cent.

Turnover for the period expanded from a restated £1.88m to £2.43m. Some £487,000 of turnover was spent on research and development, of which the Government contributed £35,000 under the Support for Innovation Scheme.

This was a substantial net increase from 1982-83 when the group's total spend on software product development was £356,000 but £159,000 of Government support was received.

Research and development work will be further extended in the current year because it is regarded as "the key to sustained long term growth." A support programme worth £435,275 during 1984-85 has already been agreed with the Government.

The improvement in turnover came principally from placement of the company's products on ICL mainframe computers. No new products were released during the year.

The directors say a significant contributor to the improved turnover was the use of the group's software product TPS as an application building tool by a number of software companies specialising in application products.

They add that enhancements to current products which were released earlier this month are already leading to a further growth in sales. Products from the current r and d programme will be introduced into the market in the autumn of 1985.

Tax for 1983-84 took £169,076 (£55,644) to leave the net balance at £233,939, compared with £244,633.

The cost of the company's introduction to the Unlisted Securities Market in June 1984 amounted to £26,865 and was charged as an extraordinary item.

The group's balance sheet shows an increase in cash held to £538,347 (£373,150). All long term debts have been repaid.

As forecast a final dividend of 0.65p net is being paid. Earnings totalled 10.13p (10.74p) on an actual tax charge and 11.34p (8.57p) on 35 per cent tax charge.

The group increased its shareholdings in associates Network Designers and Doxiver to 46 per cent and 38.3 per cent last June. Pre-tax profits of these companies for the half year to September 30, 1984, were £56,846 and £28,389 respectively. In the year to March 31, 1984, they made £12,457 and £43,100 respectively.

Sovereign Oil

The rights issue by Sovereign Oil and Gas has attracted acceptances in respect of 8.24m new ordinary shares (91.6 per cent). The shares not taken up have been sold at 205½p in the market.

Radio City profits dive in second half

A SLUMP in second-half profits from £216,000 to £28,000 left Radio City (Sound of Merseyside) with year-end figures £240,000 lower at £261,000. Turnover however, for the 12 months to September 30, 1984, rose from £3.39m to £3.65m.

While stated earnings per share fell from 10.62p to 6.4p, the dividend total is maintained at 5.6p net with a final of 3.8p (same).

Although advertising revenue was static throughout the year, the board considered it appropriate to authorise additional expenditure on special programming and promotional activities. The expected benefits from the International Garden Festival did not materialise.

The USM company's Beatle City Exhibition Centre in Liverpool, opened on April 8. Extraordinary charges of £212,000 (£32,000) included the £100,000 opening costs of the exhibition and a trading loss of £25,000 in the first six months of operation. A further provision of £100,000 was in respect of writing-off the full amount of an investment in Marcher Sound.

During the year the IBA announced a new contract extending the company's franchise to October, 1993.

Sarasota ahead to £1m

THE FIRST results from Sarasota Technology since the company gained a listing on the Stock Exchange last July show an increase in pre-tax profits from £773,000 to £1.04m, for the six months to the end of September 1984.

Trading has always been higher in the second half of the year, say the directors. With inquiries being maintained at an encouraging level, especially in North America, present favourable trends are expected to continue.

A first net interim dividend of 0.7p has been recommended. First-half earnings per share are shown as moving up from 2.36p to 3.29p.

Group sales rose by 20 per cent to £4.82m (£4m) and trading profits were 19 per cent ahead to £1.05m. The group is engaged in the manufacture of electronic sensors, transducers and related microcomputers.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

1983-84 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord. ...	137	—	8.8	4.8	7.8	10.3
158	117	Ass. Brit. Ind. CULS ...	146	—	10.0	6.8	—	—
78	52	Airsprung Group	52	—	8.4	12.3	5.7	6.8
42	21	Armitage & Rhodes ...	41	—	2.9	7.0	5.1	8.5
132	57	Bardon Hill	128	+ 2	3.4	2.7	12.5	21.5
58	42	Bray Technologies	44	—	3.5	8.0	5.1	7.3
201	173	CCL Ordinary	175	—	12.0	6.9	—	—
152	117	CCL 11pc Conv. Pref.	118	—	15.7	13.3	—	—
790	100	Carborundum Ord.	790	+10	5.7	0.7	—	—
84	84	Carborundum 7.5pc Prf.	84	—	10.7	12.8	—	—
249	92	Cladico Group	92	—	—	—	—	—
73	45	Deborah Services	69	—	8.6	9.4	8.8	10.6
240	75	Frank Horsell	240	—	—	—	9.6	12.8
206	75½	Frank Horsell Pr.Ord.87	206	—	8.6	4.3	8.3	10.8
69	25	Frederick Parker	27	—	4.3	16.0	—	—
46	32	George Blair	46	—	—	—	3.1	8.2
80	35	Ind. Precision Castings	35	—	2.7	7.7	9.8	10.4
218	200	Isis Group	200	—	15.0	7.5	7.8	14.4
124	61	Jackson Group	109	—	4.9	4.5	5.0	9.8
280	213	James Burrough	280	—	13.7	4.9	8.8	8.8
93	83	James Burrough 9pc Pf.	93	—	12.9	13.9	—	—
71	71	John Howard & Cmpy	71s	—	5.0	7.0	7.2	10.2
147	100	Linguaphone Ord.	139	—	—	—	—	—
100	98	Linguaphone 10.5pc Pf.	98	—	15.0	15.8	—	—
510	275	Minihouse Holding N.V.	510	+10	3.8	0.7	36.7	40.2
176	31	Robert Jenkins	31	—	5.0	18.1	—	—
74	33	Scruttons "A"	33	—	5.7	17.3	17.4	4.0
120	61	Torday & Carlisle	87	—	—	—	9.3	19.8
444	370	Travian Holdings	370	—	4.3	1.2	21.0	20.7
26	17	Unilock Holdings	23	—	1.3	5.7	11.2	18.1
92	65	Walter Alexander	86	—	7.5	8.7	8.5	10.4
276	226	W. S. Yeates	226	—	17.4	7.7	5.4	10.8

Prices and details of services now available on Prestel, page 48146

Transvaal Consolidated Land and Exploration Company, Limited

(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

Abridged

Chairman's statement

for the year ended 30th September, 1984

A decline of only one per cent in profit represents a most creditable performance.

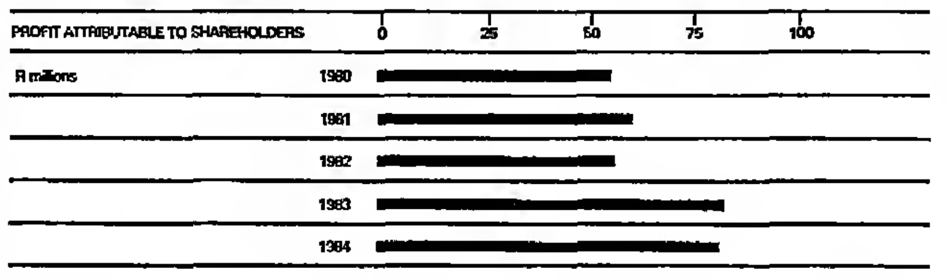
The year ended 30th September 1984 was characterised by a combination of economic and political developments which significantly influenced business activities. Nothwithstanding the encouraging improvement in the United States' economy, the steps which might ultimately be taken to bring the budget deficit under control constituted an impon- derable which continued to undermine confidence in the quality of the recovery.

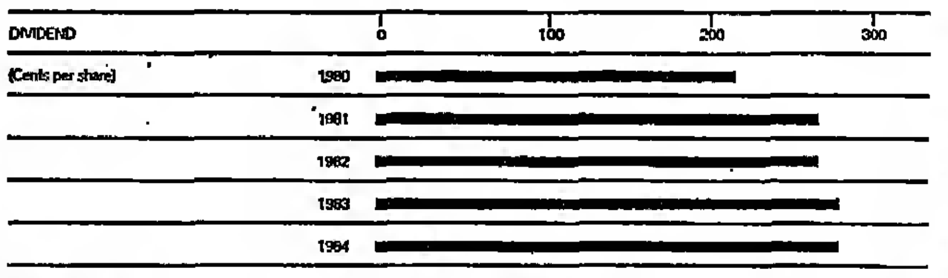
In South Africa, the adoption of a new constitution involved considerable official time and attention, possibly accounting for the apparent unwillingness or inability on the part of the authorities to confront serious problems in the local economy.

Difficult economic conditions, uncertainty regarding the possibility of significant changes in economic policy on the part of the South African government and the increasing amount of time spent on industrial relations, have tested the ability of those charged with managing the group's affairs. Against this background, a decline of only one per cent to R81,5 million for the year in the profit attributable to members of the company, represents a most creditable performance.

Although the expansion of the group and the financing of its new operations require the retention of substantial funds, it has been possible to maintain total dividends for the year at 280 cents per share with only a minimal reduction in the dividend cover.

SALIENT FEATURES	1984 R million	1983 R million	% Change
Turnover	547,8	496,5	+10,3
Profit before taxation	141,7	162,8	−12,9
Profit after taxation attributable to shareholders	81,5	82,7	− 1,5
Total assets	1 028,2	929,5	+10,6
	Cents	Cents	
Earnings per share	727	782	− 7,0
Dividends per share	280	280	—
Number of shares on which earnings per share is based (000's)	11 211	10 566	+ 8,1





Gold and uranium

Owing to the affects of a severely weakened rand, the price of gold in rand terms rose steadily, with minor deviations, from approximately R14 000 per kilogram at the beginning of October 1983 to exceed R18 500 per kilogram in the last few weeks of September 1984.

The uranium oxide market remains depressed with weak demand unable to absorb current production. In addition, stockpiles representing some three to four years' consumption already overhang the market.

Unfavourable public opinion regarding the establishment of nuclear power stations and the high current cost of construction of such facilities are now seen to be a severe deterrent to the future establishment of new nuclear power plants. Construction of some power stations has been abandoned, at fairly advanced stages of completion, while plans for certain new stations have been postponed indefinitely.

Considerable efforts are being made to improve productivity on the gold mines. However, there are limits to the extent to which ongoing advances in productivity can be pushed. Cost increases of the magnitude recently experienced cannot continue to be absorbed, expecially by the low grade mines, without seriously prejudicing their financial viability.

The greatly improved results achieved by the successful operation of the gold recovery plant at Crown Mines, owned by Rand Mines Milling and Mining Company Limited, have given sufficient confidence to proceed with the construction of a new plant at City Deep.

Coal

A levelling off in demand on the international coal market and intense competition caused a serious erosion of prices early in the year. Many consumers reduced their stockpiles and the successful implementation of energy conservation measures further decreased the demand for coal. New producers entered the market, while others sought to maximise their market share and this eroded margins. Somewhat later in the year, spot prices hardened under the influence of alleged production and infra-structural problems in Poland. The protracted coal miners' strike in Britain, fears of a possible coal miners' strike in the United States, and adverse terms of trade for American coal as a result of the unusually strong dollar, also tended to modestly bolster the market.

Domestic demand for coal rose from the preceding year's low level. This was less a reflection of higher industrial activity than of the colder winter and the fact that in the previous year certain consumers had reduced their stockpiles considerably. Sales of bituminous coal increased in Natal where, after the good rainfall last summer, the Electricity Supply Commission increased the output of power from certain of its older stations.

An increase of 9,2 per cent in the pithead price of coal sold locally was granted by the government to producers in the Transvaal. Producers in Natal were, on the other hand, granted an increase of only 4,8 per cent. In both cases, these price increases have been nullified by working costs which are presently rising at an annual rate of 12,8 per cent.

Considerable efforts have been made to improve productivity on the coal mines. While these efforts will continue, it is not entirely certain that the results will be sufficient to offset the ravages of inflation. The industry's ability to absorb accelerating costs is not without limit. More balance in the relationship between the controlled price for coal and production costs is essential.

Development of the two underground mines in the Eastern Transvaal which will serve the new Kendal and Majuba power stations will be undertaken as a joint venture. The company and its subsidiary, Witbank Colliery, Limited, will have interests of 30 per cent and 70 per cent, respectively, in this venture.

The property at the Khutala mine near Ogies, which will supply coal to the Kendal Power Station, is partly underlain by the No. 5 seam and coal from this seam was excluded from the power station supply agreement. Production from this seam for export is expected to commence in 1985. Production of coal for delivery to the Kendal Power Station is scheduled to commence in 1987.

At the Majuba mine near Amersfoort, production had originally been planned to commence in 1988. It is now understood that the power station may only be required to come into service in 1991. So far, the Electricity Supply Commission has not confirmed the length of the deferment required. The implications of any possible delay in so far as the Majuba mine is concerned will only become clear after discussions have been held with the Electricity Supply Commission.

Property

In difficult trading conditions, the property division of Rand Mines Properties Limited achieved satisfactory results. While the property market may not be all that buoyant in the immediate future, Rand Mines Properties is well placed to take advantage of an upturn in the economy when this arises. It has an adequate stock of centrally situated land in the Johannesburg metropolitan area and is acquiring further attractive and conveniently situated areas of land on the East Rand.

People

In future years, 1984 may well be seen as having been of considerable importance in the field of industrial relations. Trade union activity among black mine workers increased sharply. Sporadic unrest was experienced during the course of negotiating the terms of access to mine property by union officials for the purpose of recruiting members, the basis of union recognition, post recognition arrangements and wage reviews. More work stoppages occurred than in previous years and recourse was had to Conciliation Boards and the Industrial Court to resolve differences.

The traditional prerogatives of management have, not unexpectedly, become increasingly challenged. Adjustment to change has presented a somewhat concentuared learning experience for management, for leaders of the new unions, and for the employees themselves.

It is important not to over react or to see this experience in a negative light. Despite the high level of visibility typically generated by first encounters of this kind, it should be remembered that trade unions at present have an impact on only a small portion of management-employee interaction. The main arena for the practice of sound employee relations remains the treatment of people in the working environment and the maintenance of sound inter-personal relationships in all day-to-day activities.

The group believes that all employees have the right of freedom to associate – to form or join trade unions of their choice; it is equally important that individuals retain the right not to associate and not to be coerced against their wishes into participating in collective action. Intimidation cannot be tolerated in the mining industry.

The group is, however, committed to constructive interaction with unions which can prove that they represent a significant portion of the workforce. A number of unions are at present active in the mining industry and this situation is expected to persist for some time. However, only fragmented bargaining is possible in these circumstances.

At present, the mining industry does not have a common forum for collective bargaining. In other industries the industrial council system has been successfully applied and, in the longer term, it is desirable that the mining industry should move in this direction.

Future prospects

The behaviour of the gold market has differed significantly from that experienced in recent world business cycles. This is mainly because of a general absence of inflationary pressures and expectations in the major western economies. Much will depend on the measures which may be adopted by the United States' administration to reduce the huge budget deficit, and the monetary policy which is likely to be followed when, in due course, inflation becomes evident as economic activity overtakes the presently installed productive capacity in that country.

In August, the South African authorities introduced certain drastic fiscal measures, including an enormous increase in interest rates. The use of interest rates to protect the value of the rand will almost certainly mean a contraction of meaningful economic activity to an unacceptably low level and has so far not been capable of arresting the deterioration in the value of the rand which is near a record low.

In spite of the fact that government revenue is now running at an all-time high of approximately 23,5 per cent of the gross domestic product, government expenditure, before borrowings, is budgeted to exceed revenue by about R3,6 billion in the current fiscal year. With the recent increase in general sales tax, which is primarily borne by the consumer, it would now appear that individuals are contributing almost 50 per cent of total government revenue. This must imply a decline in living standards amongst individuals. It is clear that there should be no thought of raising further revenue from individuals either directly or indirectly. Corporate taxation was increased during the year and it would be counter productive to seek to raise further income from this sector. The immediate and near term outlook for gold is, in my opinion, weak and it would be most unwise to assume that improved tax receipts from higher gold profits will solve the problem or that in the short term there will be a broad based and sustained export led recovery of the magnitude experienced in previous economic cycles. The recent announcement by the government of their intention to cut back on public spending during the current fiscal year, and thereafter to ensure that public spending is kept firmly in check, is thus to be welcomed. To achieve the economies required will, however, require a determined and long term effort on the part of the government.

There is no easy, ready-made solution to the problem. At this critical stage in the development of a country, suffering from the ravages of two successive droughts, the authorities will need to be extremely circumspect in the unenviable – but essential – cost cutting operation which must now be completed as soon as possible.

As far as the group's gold producers are concerned the main problem in the year ahead will be to maintain a satisfactory relationship between revenue and costs, within the constraints of relatively low- grade ore and difficult mining conditions.

Expansion of demand in the international energy markets is likely to be gradual with coal prices fairly static for the short term.

Recent developments in the property field have been most encouraging. However, it is too early to predict, in the light of the prevailing adverse econ- omic circumstances in the country, the level of property activity attainable for the financial year as a whole.

After careful consideration of all these factors – and provided that there are no unforeseen major re- adjustments in the world economy and that the gold price does not decrease significantly below the level of U.S. $330 per fine ounce, I believe that the profit attributable to members of the company for the year ahead should be of the same order as for the year just completed.

D. T. WATT
Chairman.

JOHANNESBURG
15th November, 1984

Annual general meeting

The eighty-ninth annual general meeting of Transvaal Consolidated Land and Exploration Company, Limited will be held in the auditorium, lower ground floor, 63 Fox Street, Johannesburg, on Thursday, 10th January, 1985 at 11h00 and members will be asked to consider, in addition to the ordinary business of the meeing, the following special business:

Amendment of articles of association.
To consider and, if thought fit, to pass in the manner required for the passing of a special resolution in terms of the Companies Act, 1973, as amended, the following resolution:

'That article 31 of the existing articles of association be and it is hereby deleted and replaced by a new article 31 worded as follows:

31 The certificates of title to shares and debentures and to options on shares and debentures shall be issued under the authority of the directors, or of a local committee when authorised thereto by the directors, in such manner and form as the directors may from time to time prescribe. Such certificates shall bear the signature of two directors and of the secretary or transfer secretary or of two members of a local committee and of the local secretary or transfer secretary or alternatively shall be under the seal of the company and shall bear the signature of one director and of the secretary or transfer secretary or of one member of a local committee and of the local secretary or transfer secretary. All such signatures shall be autographic unless the directors by resolution shall determine that the said signatures generally or in any particular case shall be affixed by some method of mechanical signature which is controlled by the internal or external auditors or transfer auditors or bankers of the company or such other person as may be acceptable to any stock exchange upon which the company's shares may from time to time be listed or quoted.'

The reasons for and effects of the special resolution are fully set out under 'Proposed amendment to articles of association' in the directors' report.

For the purpose of determining those members entitled to attend and vote at the meeting, the register of members of the company will be closed from 4th to 10th January, 1985, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote, speak and act in his stead. A proxy need not be a member of the company.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries

per V. M. MURTON

15th November, 1984

Fenner at £6m as recovery goes on

J. H. Fenner (Holdings), power transmision engineer, made further progress through the serond six months and for the year to September 1 1984 saw its profits before tax recover from £4.5m to £6.07m.

In their defence statement earlier this year at the time of the takeover attempt by the Hawker Siddeley Group the directors forecast pre-tax profits of not less than £5.8m for 1983-84 and a 50 per cent increase in the dividend for 1984-85.

They say now that the strong underlying improvement evidenced by the results ronfirms the company's potential to meet this commitment.

Hawker's offer lapsed in August having received acceptances in respect of 20.48 per cent of the ordinary shares and 45.38 per cent of the preference.

Turnover for the past year advanced from £147.99m to £177.84m. A final dividend of 3p maintains the total at 5p net per 25p share.

Short term prospects in the UK are overshadowed by the miners' strike which is now biting more deeply while overseas, the Indian operations have not yet fully recovered from the latest disturbances. The group warns that these factors will inevitably impinge on the first half performance.

However, looking beyond these "temporary difficulties" the directors believe that the various manufacturing and marketing developments recently introduced will sustain the recovery trend in UK profitability.

In addition, the company's American operations are progressing well and are expected to contribute increasingly to group profitability.

Pre-tax profits for the past year were struck after deducting depreciation of £3.98m (£3.4m). Tax accounted for £1.6m (£2.71m) and minorities £857,000 (£700,000).

Extraordinary debits were down from £3.35m to £44,000. These related to costs arising from the defence to the Hawker offer and closure and reorganisation rosts offset by exchange gains arising as a result of the reorganisation of the capital structure of one of the American subsidiaries and exchange gains less losses arising from the sale of a 50 per cent South African interest.

The acquisition of the Reunert distribution interests in South Africa has increased net working capital by an estimated £4m. The increase has been covered by the net cash received from the South African transactions.

The directors say that although the improvement in group performance was "encouraging" progress would undoubtedly have been much more pronounced had it not been for disruption in India and the prolonged miners' strike.

Group pre-tax profits for the 1979-80 year reached £9.99m.

● comment

The combined impact of the miners' strike and civil unrest in India wiped an estimated £1.6m off Fenner's pre-tax line, indicating that underlying profits growth could have been more like 68 per cent, although that was from a very low base. Around a third of the £30m turnover increase was due to the South African subsidiary's merger with Reunert, while another £9m came thanks to a strong performance from the U.S. fluid power business, with the rest more or less evenly spread across the group. The relocation of the London motor gear factory and other rationalisations clipped about £1m from the cost base, more than offsetting a £300,000 increase in interest charges, and providing the chief impetus behind an improvement in pre-tax margins from 3 per cent to 3.4 per cent. That is still slim, even by the engineering sector's standards and a maintained—more than twice covered—dividend denotes caution about the NUM strike's continuing impact on conveyor belt sales. The shares were unchanged at 132p, 11 times stated historic earnings for a 5.5 per cent yield.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Chamberlain Phipps	int	1.1	Jan 3	1.1	—	3.6
James Cropper	int	0.6	Jan 18	0.6*	—	2*
Dunhill Holdings	int	1.5	Jan 4	1.2*	—	2.8*
Erskine House	int	0.6	Jan 21	nil	—	1.5
J. H. Fenner		3	Jan 24	3	5	5
Prop'ty Partnerships	int	3.3	Jan 7	3	—	7
Radio City‡		3.8	—	3.8	5.6	5.6
Sarasota Tech.	int	0.7	Jan 21	—	—	—
Sekers International	int	0.6	Jan 30	0.25	—	1.25
Sterling Guarantee	int	0.5	Jan 26	0.33	—	1
Telecomputing‡		0.65	—	—	¶1	—
Volex Group	int	2.5	Feb 15	1.3	—	5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Includes 0.35p paid prior to introduction.

Volex lifts payment as profit hits £1.6m

SHAREHOLDERS in Volex, the electrical wire and accessory manufacturer, benefit from the group's progress in the shape of an increase in the interim dividend from 1.3p to 2.5p net. In part this reflects a reduction in the disparity with the final, but the directors are forecasting an increase over the year compared with the 5p of 1983-84.

Reflecting growth and a substantial reduction in interest charges, the profit before tax for the half-year ended September 30 1984 has moved ahead from £1.32m to £1.61m.

All divisions within the group—which was known as Ward & Goldstone up to a couple of months ago—have traded profitably the directors report. The release of fund through asset disposals has enabled a higher capital expenditure programme to be followed, and bank borrowings have been reduced with a consequent cut in interest charges; the overall cost for the period was £295,000 (£639,000).

Continuing activities produced a turnover of £24.17m (£22.78m) and operating profit of £1.88m (£1.61m), and discontinued activities £162,000 (£1.98m) and nil (£330,000) respectively. After tax £170,000 (£113,000) the net profit is £1.44m (£1.2m) for earnings of 9.5p (8p) per share.

Discontinued activities relate to Salford Plastics and Pendleton Security Products which were sold during the half year. Results of Salford Plastics are not included as the disposal was provided for in the 1983-84 full accounts.

Volex wiring systems division has produced satisfactory results and its programme for computer aided engineering is on schedule. Volex Pencon, similarly, has met expectations and is achieving growth for its moulded plugs and connectors.

The directors say there is still scope for profit improvements in the Volex accessories and Volex Raydex divisions.

● comment

Not only is Volex — formerly Ward & Goldstone—responding to its new managerial medicine, but it is also showing the first signs of having a coherent strategy for the future. There is amply scope to find new uses for existing products in slightly modified form by taking wiring systems beyond the ex-growth car trade into aerospace or defence, and introducing Volex Pencon's moulded plugs into the computer market. Joint ventures in the UK and overseas are likely to be part of the plan. Volume growth is historically uninspiring, but operating efficiencies—especially at Volex Accessories—have pushed trading margins in the continuing activities up nearly a point to 7.8 per cent. Tighter cash management and disposals have allowed capital gearing, which reached 82 per cent in March last year, to fall below 35 per cent, with a corresponding drop in interest charges. Further productivity gains should allow taxable profits, up 22 per cent in the first half, to reach £3.7m for the year. That leaves the shares, up 5p to 120p, on a prospective multiple of just 5.3, which seems unduly harsh judgment.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Allied-Lyons, Beecham, CML Microsystems, Century Oils, Channel Tunnel Investments, Courtaulds, Investment Co, Parkland Textile, Rothmans International, TR Property Investment Trust.

Finals: John Carr, ICL, Scottish and Mercantile Investment.

FUTURE DATES

Interims:	
Allied Colloids	Dec 3
Baker Perkins	Dec 10
Berkeley Group	Dec 17
Bremner	Dec 3
Crown House	Dec 10
FKI Electricals	Dec 3
Ferranti	Dec 6
Hampton Trust	Nov 28
Howard and Wyndham	Nov 28
Lynton	Dec 3
Norcros	Dec 10
PWS International	Dec 3
Renwick	Nov 28
Finals:	
Dundee and London Inv Tst	Dec 3
Keystone Investment	Dec 5
Nottingham Brick	Dec 6
Reashaugh	Nov 28

Substantial growth for Erskine: pays interim

MAINLY AS a result of substantial growth in the office equipment companies, Erskine House group has turned in a profit before tax of £610,000 for the half-year ended September 30 1984. For the first time since 1980 shareholders will receive an interim dividend—of 0.6p net.

The profit compares with £173,000 actual and with £338,000 restated when applying merger accounting principles to certain of the acquisitions made in the past 12 months.

Chairman Mr Brian McGillivray says the office equipment side has increased its contribution by 25 per cent on the restated level. In the present half, sales in October and November have been buoyant and the effects on margins of improvements in productivity on the services side are beginning to be seen. Erskine Bureaux also performed well benefiting from a very successful tourist season; but it is now in its off-season.

The security and fire companies produced mixed results. Telesurveillance, the closed circuit television company, achieved its profit target of £250,000, but made a small contribution to group results because of the effect of sales force reorganisation costs. However, in the second half this company should contribute significantly more, and fire protection is also expecting improved figures.

For the period turnover came to £7.95m, compared with £3.05m actual and with £5.25m restated. The recent acquisition Bromley Group, which sells and services photocopiers, made a profit of over £220,00 for the six months, but this is not included in the group figures.

Lazard Bros. Currency Fund subscription

Subscriptions open on Friday for the latest offshore currency fund to come from the stable of merchant banker Lazard Brothers.

The Lazard Brothers Currency Reserve Fund is designed to replace the existing £90m Lazard Brothers Sterling Reserve Fund, which is due to come onshore next month. Stockbrokers Hoare Govett are arranging an offer for subscription of up to 19m participating redeemable preference shares at £10 each, or the approximate currency equivalent.

Lazard has applied for the fund to be listed on the Stock Exchange and dealings are expected to commence on December 6. Investors will be able to choose whether their shares should be invested in sterling, U.S. dollars, yen, D-Marks, Swiss francs or French francs, and will have the option to switch between currencies.

Sterling Guarantee leaps to £10m at six months

Sterling Guarantee Trust, which has interests in property and service industries, hoisted pre-tax profits from £5.49m to £10.12m in the half year to September 28, 1984. The net interim dividend is lifted by 0.175p to 0.5p per 10p share.

Gross income from property improved from £23.92m to £25.63m, while turnover of the service industry division increased to £80.11m (£71.79m), making a total of £105.73m (£95.72m).

Net income from the property division rosa by £1.53m to £10.85m. The service industry contribution was up to £4.44m (£3.23m) and investment income climbed from £0.72m to £2.37m, including dividends from P & O.

Second-half figures will show the company equity accounting for its stake in P & O.

The board says that part of the rise in profits of the original Sterling Group came from exhibition centres which had rather better occupancy this year.

Interest charges for the period were reduced slightly from £7.78m to £7.54m. Tax took £2.35m (£0.99m) and there were minority interests of £62,000 (£38,000). Stated earnings per share increased from 0.9p to 1.6p.

Mr Jeffrey Sterling, chairman of Sterling Guarantee

Capital profits of £2.05m (£6.14m) have been transferred to capital reserve. These comprise a £2.95m surplus on sale proceeds over original cost of property, less tax, and £0.9m other items, including capital expenditure on exhibition centres written off.

The surplus on sale of properties included attributable valuation surpluses previously taken up in capital reserve of £2.23m.

In the last annual report, the board said that omens for the property market, especially the retail sector, were good. The service industry companies were in good shape and were well placed to benefit from the improving economy this year.

The company was continually examining opportunities for furthering the growth potential of both divisions, at home and in the U.S. and the board was confident that the year ahead would result in a further strengthening of the company's position.

The company was formerly known as Town & City Properties.

See Lex

Dunhill rises 38% to £5.8m

Dunhill Holdings, maker of luxury consumer products, increased pre-tax profits by 38 per cent from £4.21m to £5.82m for the half year to September 30 1984. Turnover was up 15.5 per cent to £51.39m, against £44.48m.

The net interim dividend is effectively raised from 1.2p to 1.5p per 10p share—last year's total was equivalent to 2.8p on £11.14m profits.

The momentum of the business under the Dunhill name continued strongly in the half year, with additional volume growth being achieved primarily in fashion and watches.

Montblanc made progress in expanding production. Lane's profits were lower in the first half reflecting start up costs in the new location, but Richards and Appleby continued to do well.

All sectors of the business profited from the mix of exchange rate movements which prevailed during the period.

Tax charge was up from £1.66m to £2.24m and minorities took £17,000 (added £9,000) leaving an attributable surplus of £3.56m, against £2.55m. Earnings per share increased from 6.1p to 8.5p.

Ordinary dividends absorb £630,000 (£504,000) and preference payments cost £13,000 (same).

The group, which is a subsidiary of Rothmans International, markets worldwide men's fashion clothing and accessories, watches, pens and associated products, smokers' products and accessories, toiletries and fragrances.

● comment

Dunhill has had an exceptional run in the stock market this year from a low of 89p to a 225p high after yesterday's results, which includes a 7p gain on the day. The shares, which once languished on a multiple of 5, now merit a p/e of nearly 11, assuming full year profits of £14.5m pre-tax and a 35 per cent tax charge. The question is, has this rerating further to go? On the positive side, the group can point to its continuing success in exploiting top-flight brand names, to its established position in the Far East and Europe, and to the potential, to some extent hardly tapped, in the U.S. There is, moreover, the cash in the balance sheet and the support of major shareholder Rothmans International for further expansion and acquisition. Against this, current profits are being made in the peak of a business cycle whose eventual downturn will inevitably have an effect on luxury goods like Dunhills. Equally, the group would suffer from a substantial weakening of the U.S. dollar or the Japanese yen. But there is probably little doubt that Dunhill will be able to overcome any adverse changes in these influences better than in the last recession.

COMPANY NEWS IN BRIEF

Net revenue at the London Trust fell from £1.46m to £1.21m over the six months to September 30 1984.

The interim dividend is unchanged at 1.25p net. Stated earnings were 1.3p (1.57p) and net asset value per 25p share at the end of the period was 114.3p (102.8p).

* * *

Pre-tax profits of Hill, Thomson & Co showed an improvement of £10,000 to £483,000 for the six months to the end of July 1984. Turnover, excluding duty, rose from £3.8m to £4.65m—the company blends and bottles Scotch whisky and is ultimately held by the Seagram Co (Canada). Tax amounted to £160,000 (£4,000) and earnings per 25p share are shown as slipping from 10.24p to 7.05p.

* * *

Net asset value per 25p share of *TR Natural Resources Investment Trust* amounted to 317.1p, six month period at [illegible] against 309.1p, at the end of the six month period to September 30 1984.

Pre-tax revenue was down from £2.21m to £2m, but the interim dividend is being held at 3.5p with stated earnings per share down at 4.05p (4.65p).

* * *

Pre-tax profits of Property Partnerships improved from £488,000 to £561,000 in the half year to September 30, 1984, and the interim dividend is being increased by 0.3p to 3.3p net.

Earnings per 25p share rose to 8.7p (6.9p). The benefits of rent increases will be reflected during the second half. First half gross rental income totalled £390,000 (£355,000). The company develops and operates hotels.

BIDS AND DEALS

Gillette disposes of UK surgical product business

BY CHARLES BATCHELOR

Gillette, the U.S. razor blade-maker has sold its British surgical products subsidiary to Sabre Holdings, a newly-formed company, for between £7.5-£10m.

Gillette Surgical Products changed its name to Sabre International Products last March in preparation for the sale. The company had sales of about £8m in the past 1 months and expects turnover to rise to £10m over the next year.

Sabre Holdings is beaded by Mr Leon Cohen, as chairman and managing director, his brother Albert, a non-executives director, and Mr David Ishag, director for marketing and planning.

The Cohen brothers have a background in the supply of surgical services and run the Dukes Group of companies, which provide travel and accommodation services. Mr Isbag has been in the import/export business.

They have the backing of a consortium of UK end U.S. financial institutions.

The former Gillete company employs about 250 people at a factory in Reading making disposable syringes, needles, scalpels and razors. It claims to he the only British-based maker of syringes and bos a 60 per cent share of the UK market.

Sabre plans to expand the Reading plant and introduce e new range of complementary surgical products, some developed by itself others imported in component form for assembly in tha UK. The company already exports to 60 countries.

Sabre has been negotiating the purchase of the surgical products business for the past year and considered at one time also buying Gilette's UK toiletries operation. Tax considerations prompted it to pull out of this part of the deal however.

The surgical products business did not fit in with Gillette's orientation towards the consumer products market. It makes Right Guard and other toiletries, Papermate pens and pencils and Braun electrical equipment. It sold off its U.S. surgical products division about 13 years ago.

BSI raises East Lancs offer

BY ALEXANDER NICOLL

British Siphon Industries, the drinks dispensing group headed by Mr Bryan Morrall, yesterday raised its offer for East Lancashire Paper Group for the second time and increased its holding in the paper making and merchanting group.

BSI now commands 33.4 per cent of East Lancashire after buying a 4.6 per cent stake, to add to the 20.2 per cent it already held, and acceptances of its initial offer covering 8.6 per cent.

Speculation about the fate of East Lancs was heightened by news that Mr Ian Wasserman's G. M. Firth, a diversified holding company, had increased its stake to 12.7 per cent through market purchases on Friday, at prices of up to 95p per share.

East Lancs had no immediate comment on BSI's increased offer of six of its shares for five East Lancs with a cash alternative of 96p each, which values the paper group at £8.23m.

BSI shares yesterday were unchanged at 76p valuing its share offer at 91p per East Lancs share, below the cash alternative. East Lancs' shares rose 1p to 94p.

The raised bid compares with an initial formal offer of an one-for-one share exchange with a 60p cash alternative, and the first increase to eleven-for-ten shares or 85p cash.

BSI failed earlier this year in e bid for James Halstead of which Mr Morral was formerly chief executive and which, like East Lans, is based in Radcliffe, near Manchester.

BSI has said it is seeking East Lancs as part of a policy to expand in manufacturing products with strong brand names. It has attacked the management and profit record of East Lancs.

The paper group has countered that, after being hit earlier this year by e sharp rise in wood pulp prices, it is about to show a dramatic return to profit, with the help of a planned reorganisation of its paper production methods.

Mr Wasserman, a former Slater Walker executive, would add nothing yesterday to his previous statements that he was buying East Lancs shares because they appeared to be a good investment.

Ratners buys Terry's Jewellers

Ratners (Jewellers), the second largest jewellery retailer in the UK, has agreed to pay a minimum of £3.4m and a maximum of £4.25m for Terry's Jewellers.

Founded seven years ago by Mr Terry Jordan, Ratners' own merchandising executive at the time, Terry's sells "popnlar priced" gold and silver jewellery from 26 shops in the Sonth of England. Its profits in the year to March 31 were £482,000 before tax on turnover of £5.11m. Net worth at the year end was £1.49m.

Ratners is funding the acquisition with £1.5m from its own cash resources which it is matching with the proceeds of an allotment of 3.19m new Ratners' shares at 47p per share. The balance of £400,000 at the minimum consideration or £1.25m at the maximum will be raised by the issue at completion of unsecured loan notes.

The extent of loan note payment will be determined by reference to Terry's profits and assets for the current financial year. The benchmarks are £763,000 and £1.9m respectively.

The deal marks a change in Ratners' expansionary tempo for Terry's will trade as a separate division, maintaining its own market identity. Currently trading from 132 outlets in most major towns and cities, Ratner's now has a target of some 250 stores and will be able to trade under two banners

Mr Jordan will join the Ratners' board and will hold 7.62 per cent of the enlarged equity on completion. The shares climbed 2p yesterday to 50p.

Cullen's suitor raising terms

BY RAY MAUGHAN

THE CONSORTIUM headed by Mr Peter Matthews and backed by Schroders will make anew bid worth £7.8m today for loss-making Cullen's Stores.

First into the fray, at least publicly, when the auction started the Matthews consortium has now taken out the stake controlled by Provincial Insurance—theo nly disclosed non-family and board shareholders as recently as the last accounts—and can now speak for 28.4 per cent and 17.4 per cent respectively of the voting and A non-voting ordinary shares.

The revised bid will again comprise new equity and cash with a full cash alternative which will now be worth 440p and 340p per share. It offers a measurable premium on the terms offered almost simultaneously last week from the rival consortia led by Mr Cartier, advised by Hambros Bank, and Mr John Fletcher, backed by Charterhouse Japhet. Last Friday they offered respectively 420p and 410p for the enfranchised equity.

While the Fletcher/Charterhouse consortium would only say yesterday that it was considering its next move, Cullen's voting share price of 475p was anticipating another full round of bidding with a rise of 35p in an effort to secure 50 per cent control.

As things stand, Charterhouse has 10 per cent of the votes, which it has built up in the market, while Mr Cartier's consortium has been joined by former director, Mr David Cullen, who controls 24.5 per cent.

GT Fund Management looks to he the only major uncommitted shareholder on the Cullen's register and its stake is thought to bea s high as 10 per cent in various trusts.

The anle has already been draised considerably. The understood to have offered 300p per voting share before the consortium led by Mr Matthews publicly offered 375p per share in the middle of the month.

Provincial's decision to pledge its stock to these new terms has been prompted largely by the scope and dtail Mr Matthews' plans for Cullen's, the insurance group said, and the need to halt the auction while the stores group is losing money heavily.

LMI makes agreed bid of £7.5m for Hoskins

By Charles Batchelor

London & Midland Industrials (LMI), yesterday put in an agreed sbare bid worth £7.47m for Hoskins & Horton, the bospital equipment and light engineering group, narrowly topping an earlier contested bid from Scottisb Heritahle Trust.

As part of the LMI deal, Hoskins has agreed lo sell its building materials and civil engineering operations to Redland for £4m to leave LMI with the bospital equipment and light engineering businesses.

LMI already bolds 1.5 per cent of Hoskins and its offer has the backing of Hoskins' directors wbo bave a 2.7 per cent stake in their company. But it will have to overcome the hurdle of Scottish Heritable's 28.8 per cent bolding in Hoskins.

Mr Bill Beddow, LMI chairman, said the deal bad been put together over the past t0 days. Redland had approacbed LMI witb tbe plan. The sale of the building materials sida was a pre-condition for LMI's offer, be said.

The businesses which LMI hopes to retain made pre-tax profits of £523,000 in the year ended December 1983 while those which would go to Redland made £455,000.

As part of its defence against the Scottish Heritable offer, Hoskins has forecast a 24 per cent rise in total profits this year to £1.t5m.

LMI is offering 265p cash for every Hoskins ordinary share and 100p cash for every £1 preference share in a deal worth £7.2m. It is also offering a share alternative of eight of its own shares for every five Hoskins shares in a deal wortb 275p per share or £7.47m at LMI's closing price of 172p—4p lower—yesterday.

Scottish Heritable's shares rose 2p to 56p yesterday to put a value of 273p on its revised bid of three of its own sbares and 105p casb for every one Hoskins share. Hoskins shares rose 4p to 272p.

LMI is a diversified group engaged in making consumer and home improvement products, specialist engineering and fasteners manufacture.

Greenall in off-licence acquisition

Greenall Whitley, the Warrington-based brewer and hotel group, has paid £7.5m for Cellar 5, the privately-owned off-licence company based on Merseyside.

The acquisition more than doubles the company's off-licence chain, it already having some 118 in the Drew Wine Cellars chain.

Greenall, one of the largest of the regional brewers will now have enough outlets to rank it among the top half-dozen off-licence chains.

In the last couple of years a number of major brewers have been expanding their off-licence trade. The take-home trade is one of the growth areas in the industry, while beer sales overall are showing little improvement.

Greenall is paying £2.5m in cash for Cellar 5 and £4.97m in seven-year unlisted unsecured loan stock and the issue of 24,200 Greenall voting ordinary shares to Mr R Kite, the founder of Cellar 5.

Intl. Signal

International Signal & Control, the U.S. defence electronics group registered in the UK, is paying $35m (£29m) to buy Zeta Laboratories from Communications Technology Corporation. ISC will also issue 600,000 new shares, quoted yesterday at 290p ex dividend, up 61p, to CTT.

Based at Sanda Clara, California, Zeta produces high technology microwave subsystems and components. Its profits, sales and total assets in 1983 were $3.6m, $15.9m and $8.3m respectively.

BIDS IN BRIEF

Ronald McNeill and Co sold a total of 255,000 ordinary of Downiebrae Holdings. This reduces the total holding to 490,000 ordinary (6.88 per cent).

* * *

Mr S. Marks, chairman of French Connection Group, sold 460,000 shares at 460p xd each, following which Mr Marks is interested in 12.01m shares (75.92 per cent).

Ms Nicole Farhi sold 140,000 ordinary shares following which she is interested in 910,000 ordinary (5.75 per cent).

* * *

Discussions are taking place which may lead to Carlow Investment Company bidding 90p (Irish) per share for the outstanding 32.6 per cent of Brown Thomas Group it does not already own. A further announcement will be made as soon as possible and shareholders are advised meanwhile to take no action.

* * *

Addison Communications has acquired computer typesetting specialist Troy Graphics for £129,537. This is Addison's first acquisition since joining the USM last month.

Troy Graphics' sales at March 31 1984 came to £187,873 with pre-tax profits of £19,697 and net tangible assets of £33,687. Figures for the first six months of Troy's current financial year show sales of £150,000.

APPOINTMENTS

Top posts at Alfa-Laval

ALFA-LAVAL CO has promoted Mr Bo Wirsen from financial director to managing director. He succeeds Mr Bjorn Fagerstrom who has become president of Alfa-Laval group's U.S. operations. The new chairman is Mr C. Lennart Berglind, deputy managing director of Alfa-Laval AB, Sweden who succeeds Sir Richard Trehane who has retired. Mr Berglind will be based in London.

*

Professor Roland Smith has resigned from the board of MOBEN GROUP.

*

Dr Charles B. Belcher, formerly BHP's representative in Tokyo has been appointed European representative. He succeeds Mr Ron Williams who returns to Perth after a five-year tour of duty.

*

MANAGEMENT HORIZONS (HOLDINGS) has made several appointments: Mr Roy A. Palmer becomes managing director and Mr Ian M. Clark development director. Both are also to become directors of the main board. Mr George F .Wallace and Mr C. Jane Westgarth are to become executive directors.

*

THE WILLIAM LEECH GROUP is appointing two main hoard directors, Mr Horace Key, managing director of McLean Homes North London, a part of the Tarmac Group, and Mr Ron Lovely, a partner in Price Waterhouse until his retirement last year. Mr Key will also become managing director of Leech Homes, the housebuilding arm of the Leech operations. Mr Lovely, who is a director of the William Leech Foundation and William Leech Investments will be a non-executive main board director.

*

KRAFT FOODS has appointed Mr Paul Malyon as director of personnel. He joins from Rank Xerox where his most recent position has been as manager, international training and development. Mr Vic Hill, logistics director, is to retire on December 31.

*

OILFAB has appointed Mr Kenneth Mackay as director of the group's technical services division. He was appointed manager of the technical services division in 1983.

*

Board appointments have been made by PASCO ENGINEERING, a subsidiary of Tarmac's construction division. Mr David Lawn moves to finance and administration, Mr Geoff Cox to corporate development, Mr John Hall to business development and Mr Roger Peason to project management. Ms Gillian Cope takes over from Mr Lawn as company secretary.

*

Mr Ken Thurlow, e director, has been appointed managing director of POLLARDS OF LONDON, an associate of Pollards Jewellers Services. Mr Reg Perrior has been made sales director in succession to Mr Keith Haskins, who is retiring in January.

Preparing for banks' merger

General manager appointments have been made for the new Bank to be formed on the planned merger of The Royal Bank of Scotland and Williams & Glyn's Bank. They will take effect from October 1 1985. In consumer banking services: Mr David Robinson, at present general manager, management services in Williams & Glyn's Bank. In Edinburgh region Mr Alastair Reid, at present senior general manager (banking), in The Royal Bank of Scotland. In addition, Mr Joe M Macdonald, at present general manager, northern region, in The Royal Bank of Scotland, will become a general manager based in Aberdeen. Mr David Coulter, at present finance controller in The Royal Bank of Scotland Group. Glasgow region: Mr James Grier, at present general manager, Glasgow, in The Royal Bank of Scotland. Mr Wilf Allen, at present general manager international banking, in Williams & Glyn's Bank. Mr Jack Kirkland, at present an executive director in The Royal Bank of Scotland, will become a divisional director in the international division until he takes over as executive director in charge of international banking on the retiral of Mr A. George Pollard in January 1987. Mr Peter Webster, at present legal adviser in Williams & Glyn's Bank. London region: Mr Don Lewis, at present general manager, domestic banking south in Williams & Glyn's Bank. Manchester region: Mr Alan Ellis, at present general manager domestic banking north, in Williams & Glyn's Bank. Mr Norman Irvine, general manager, electronic data processing, in The Royal Bank of Scotland. Mr Geoffrey Naylor, at present marketing adviser in The Royal Bank of Scotland Group. National Commercial & Glyns: Mr Robert H. Smith remains managing director of NC&G, the corporate finance arm for the new bank. Mr Smith is at present also general manager, corporate finance, in The Royal Bank of Scotland. Dr Mike Mosson, at present general manager, personnel, in Williams & Glyn's Bank. Property, administration and central services: Mr Eddie Regan, at present head of property in Williams & Glyn's Bank. Strategic planning: Mr Lewis S. McGill, at present general manager, southern region, in The Royal Bank of Scotland. Mr Bob Riding, at present general manager, finance, in Williams & Glyn's Bank becomes treasurer of the new bank. Mr John Mather, at present general manager, international, in The Royal Bank of Scotland becomes general manager, treasury operations. Mr Donald Cameron, at present general manager, trustee and investment, in The Royal Bank of Scotland.

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hill Samuel §	9½%
Allied Irish Bank	9½%	C. Hoare & Co. †	9½%
Amro Bank	9½%	Hongkong & Shanghai	9½%
Henry Ansbacher	9½%	Johnson Matthey Bkrs.	10 %
Armco Trust Ltd.	11 %	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	10½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	10 %
Bank Hapoalim	9½%	Edward Manson & Co.	11 %
BCCI	9½%	Meghraj and Sons Ltd.	10 %
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9½%
Bank of India	10 %	National Bk. of Kuwait	9½%
Bank of Scotland	9½%	National Girobank	9½%
Banque Belge Ltd.	9½%	National Westminster	9½%
Barclays Bank	9½%	Norwich Gen. Tst.	9½%
Beneficial Trust Ltd.	10½%	People's Tst. & Sv. Ltd.	10½%
Brit. Bank of Mid. East	9½%	R. Raphael & Sons	9½%
■ Brown Shipley	10 %	P. S. Refson	9½%
CL Bank Nederland	9½%	Roxburghe Guarantee	10½%
Canada Perm'n't Trust	9½%	Royal Bk. of Scotland	9½%
Cayzer Ltd.	9½%	Royal Trust Co. Canada	9½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	9½%
■ Charterhouse Japhet	9½%	Standard Chartered ‖	9½%
Choulartons	11½%	Trade Dev. Bank	9½%
Citibank NA	9½%	TCB	9½%
Citibank Savings ¶	11½%	Trustee Savings Bank	9½%
Clydesdale Bank	9½%	United Bank of Kuwait	9½%
C. E. Coates & Co. Ltd.	11 %	United Mizrahi Bank	9½%
Comm. Bk. N. East	9½%	Westpac Banking Corp.	9½%
Consolidated Credits	10½%	Whiteaway Laidlaw	10½%
Co-operative Bank	*9½%	Williams & Glyn's	9½%
The Cyprus Popular Bk.	9½%	Wintrust Secs. Ltd.	10 %
Dunbar & Co. Ltd.	9½%	Yorkshire Bank	9½%
Duncan Lawrie	9½%		
E. T. Trust	11 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	12½%		
First Nat. Secs. Ltd.	12 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%, 1 month 7.00%. Fixed rate 12 months £2,500 £8.75% £10,000, 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¾%, £10,000 up to £50,000 7¼%, £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¾%.
‖ 21-day deposits over £1,000 7¼%.
§ Demand deposits 6%.
¶ Mortgage base rate.

Carla Rapoport talks to the man out to change Beecham's image

Only as good as your last race

NOT ONLY the occupant has changed in the chairman's office of Beecham House in the last year. The carpets are a lively shade of yellow, one wall is now festooned with commendations and degrees, and a signed picture of Margaret Thatcher is hung prominently in a sunny nook overlooking a rooftop garden.

BEECHAM GROUP TRADING PROFITS	1979/80	1980/81	1981/82	1982/83	1983/84
	£m	£m	£m	£m	£m
Consumer products	64.8	79.2	99.0	127.4	149.5
Pharmaceuticals	70.1	77.2	105.6	123.0	130.1
Total	134.9	156.4	204.6	250.4	279.6

Mr Ron Halstead, chairman for just four months, now intends to brighten up the image of Beecham itself. A marketing man with no shortage of confidence, Mr Halstead wants to pull the large consumer products and pharmaceutical group out of its solid-but-uninspiring cubby-hole and put it back in the exciting-if-not-glamorous category.

The job will not be a simple one. Displaying the kind of energy of a man much younger than his 57 years, however, Mr Halstead appears suited to the job. A career Beecham man, he has the kind of mind that can reel off the facts of the Macleans toothpaste launch in the U.S. in the 60s, but does not notice that his shoes are in need of a shine.

A widower with two teenage boys tucked away at Eton, Mr Halstead lives and breathes Beecham. It is this enthusiasm that he hopes to make infectious.

He intends to achieve this goal through a number of strategies all stemming from his marketing background. In a loose order of priority, Mr Halstead aims to boost the growth profile of the company's pharmaceutical division, increase the group's U.S. sales and profits substantially, and trumpet the company's successes more audibly in its home base, Britain.

"This society is not a market-oriented society," says Mr Halstead disparagingly. "It is changing slowly, but there is still an in-built reluctance to put marketing and sales at the top of a company's priorities. I don't have that reluctance," he says.

Unlike his predecessor, Sir Graham Wilkins, Mr Halstead doesn't shy away from admitting that the group's pharmaceutical division has lost some marketing momentum over the past few years. What Sir Graham described as the natural peaks and troughs of the pharmaceutical business, Mr Halstead has little time for.

"It is fair criticism to say that our pharmaceutical growth has been slower than expected. Our proportion of profits from drugs has slipped from 60 per cent to 45 per cent. I want to see it 50/50," he says.

To this end, he intends to reverse a long-held Beecham philosophy of shying away from drug licensing deals with other companies. The company, a pioneer in the field of antibiotics, historically had its hands full with its own products. Unlike the biggest drug companies in the business, it never became active in seeking out licensing and marketing deals with its counterparts to boost growth during lean times.

"I like licensing deals, with the emphasis on products, but geographic spread," says Mr Halstead. "You have to supplement your own growth with licences and others' products." The products he will be seeking will not be in Beecham's strongest territory of antibiotics, but will be most likely aimed at extending the group's exposure in areas like cardiovascular therapy.

He also plans for further acquisitions in the pharmaceutical field. At the same time, he is lighting fires under his pharmaceutical marketing teams in the U.S. and UK. Augmentin, a new oral antibiotic which got off to a notoriously slow start in the UK market, has now doubled its sales to around £5-£6m a year, he says. In the U.S., the new drug is already selling well, at an annualised rate of around $50m a year.

The U.S. market in general, he says, should become 50 per cent of the group's sales and profits, from around 33 per cent now. A strong Americanophile, he believes that Britain still has a lot to learn from the American way of doing business. The Beecham presence in America will be boosted through acquisition and big product launches, he says.

The next big launch, he says, will be in his old playground, toothpaste. Aiming to enlarge Aquafresh's 12.5 point share of the $500m U.S. market to 14.5 points, Beecham will soon be launching a pump version of Aquafresh.

His remaining area of concentration will be to raise Beecham's profile in government and investor circles. Speaking on the government's recent cuts in drug company profitability, he says: "Our cash flow from consumer products is funding pharmaceuticals, which is stupid. This industry hasn't done anything to put over its achievements. It has a marvellous record — it actually saves the NHS money.

"It's never to late to speak up. Remember the oil companies? They used to be such ogres. Now they are the darlings of industry. We have to do much better at communicating," he says.

He intends to make his various division chiefs more outspoken both on the issues affecting their businesses and on communicating their achievements.

Mr Halstead promises another "significant" acquisition within the next three months or so, either in Europe or America, in the consumer products arena. With this acquisition, and his other moves, he hopes to start unlocking a bit more glamour for Beecham.

"But you can't rest. You are only as good as your last race," he says with a wida smile.

Government holds back on Ok Tedi

BY KENNETH MARSTON, MINING EDITOR

THE GOVERNMENT of Papua New Guinea is dissatisfied with the progress being made by its partners at the A$1.6bn (£1.1bn) Ok Tedi gold-copper project. It is thus holding back any further funds for its 20 per cent share of the development, notably for the stage 1 gold-only mining operation, which has started after past delays.

The other shareholders in Ok Tedi, the huge open-pit venture at Mount Fubilan high up in the Star Mountains of the country are, Australia's Broken Hill Proprietary (30 per cent), Amoco Minerals, part of the Standard Oil of Indiana group (30 per cent), and the Kupferexplorationsgesellschaft West German consortium (20 per cent).

Mr Phillip Bouraga, the PNG Minister for Finance, said that the government had the option to limit its stage 1 contribution under the agreement to U.S.$45m (£37m) and this level had been reached. Consequently the state's shareholding would be diluted to about 18.5 per cent from the current 20 per cent.

He said that this action had been taken because the government was not satisfied with the operating company's adherence to its agreements which required the provision of a hydroelectric scheme and the building of a tailings (waste) dam.

The Minister confirmed that the government was committed to providing up to $26m towards the capital cost of stage II of the project. "However, we have not seen much stage II expenditure so far and this also gives cause for concern," he added.

The partner companies reject the charge that they have been soft-pedalling at Ok Tedi. They say that they have been spending heavily on research in order to implement stage I and go to stage II.

The government's concern about the lack of progress in the establishment of hydro power and a permanent dam is that these items are of particular importance to stages II and III.

There may be a fear that the partner companies will concentrate their efforts on mining only the profitable gold, instead of a payable copper-gold mix as envisaged in stage II.

Given the current outlook for copper prices it is doubtful whether Ok Tedi would be a payable mining proposition on the basis of its low grade copper ore alone without the "sweetner" of gold revenue.

Winding up orders made against 133 companies

Compulsory winding up orders against 133 companies have been made in the High Court.

They were: Holiday Stamps, Duke Street Nominees, De Grey, Layard & Co, James Robinson Foods, Castell Cards.

Peter Campion, East London Repairs, Amortex International, Seabunker, Universal Styles.

Neville Kennedy, London Interprint, Surf-Jet (UK Concessionaires), East Side Studios, BW Paint Distributors, Valuegrange, Vineglade.

Krystex Agencies, Llewellyn Manpower Resources, Mogul Home Improvements, Barrie Stacey (Lyceum Theatre), PM Samuels (Chemist).

Jackamoor Builders Supplies, Salleth, Mogul Sales, Pryor & Ambrose, Centre Designs.

Petty-France Seafoods, Task Systems, Whitakers Antiques, Aquablast, Moneycrest.

Adventure, Flutegrove, Parkton, Provincial Leisure, Christimatex.

Riva Sportwear, Adminbourne, Milan Associates, Marchesi Homes, GMP (Sales), Armstrong Mechanical Services (UK).

Alex Bullion (Southern), Larkhouse, Trowel Trades Developments Quality Homes (Shropshire), Myra Flooring, NSF Hotels.

Odyssey Travel, Pressash, W. T. Woodall & Sons, Moonbrook, West Nine Marketing.

Flamerula, Manutube (UK), CEB Walker Finance, Mason & Morton (Engineering), Hamilton Design (Kitchens).

Scammell Technical, KM Communications, Pexvale, Queen of Clubs Properties, G & E Services (UK).

Abbey International Products, Foster Wines, Special Air Travel Services, Skyereach, Colliers Enterprises.

Easyrose, Benfleet Printers, Kathcroft Builders, Speedmead, R & A Buxton (Northern).

Cantsburn, Coolking Music, Shavebond, Statelink, Flexprint.

Deans Restaurant, Port-Ho-Tel (UK), Selco Fashions, John Ryan Film Company, P. Perl (Exporters).

W & A Gilbert, Manchester Crawler Crane Hire, Southern Refactories (Kent), W. Ian Parton (Contractors & Plant Hire), Vennerbell.

Vendsale, Romiley Automatics, Focus Films (Leeds), Abbott & Dimitria Transport, Buckingham Appointments, enngate.

Harbourside Caterers, Highway & Foundation Surveys, Leafgrey, Marshray, Churncliff.

Mid-Essex Insulations, Napper and Spencer, Texles, Toptier, Gemini Video.

Trident Fashions, Hodgeport Thompson Car Trimming, Kerbrose, Franchise Video Services.

Videorama Wholsale, Standfast Engineering, D. Walter & Co (Lighting), Fundmain, Ilorose.

Kingsville Engineering, Maygate Garments, Yasmin Fashions, Status Insulation, Aloey (UK).

M & M Management, McCahill Engineering, Double H. Novelty Co., Promexport International (UK), Planlight.

Bow Computer Supplies, Tayrock, A. S. Hitchens, Westfive Heating and Construction, Brozim.

Michael Joseph (Tilers), Plus Metal Fabrications, VJB Publishing, Credit Gold and Securities.

A compulsory winding up order against Salligan was rescinded and the petition adjourned until December 10. A compulsory order against Tristar Plant Hire was rescinded and the petition dismissed by consent.

CJR Pacific

Results for the initial interim period February 29 to September 30 1984 of Charterhouse J. Rothschild Pacific Investment Trust show that net income available came to £173,000, and earnings were 0.35p. At the end of September, net asset value per share was 104.8p but by November 20 had slipped back to 103.8p.

In the period investment income came to £82,000, interest receivable to £836,000, and there was a gross loss on dealing activities £222,000. Revenue was £315,000 subject to tax £142,000.

Increased raw material costs hit J. Cropper

Despite an increase in turnover from £10.45m to £11.62m, pre-tax profits of paper manufacturer, **James Cropper**, declined to £388,000 for the half year to September 29 1984, compared with £649,000 last time.

The reduction in profits arose entirely from an erosion in margins in the summer months through rapidly escalating raw material costs, mainly woodpulp. The weakness of the pound made things worse, as pulp prices are fixed in dollars.

However, results for the second half are expected to improve, as recent price increases have helped to recover the increased costs, while the order position is satisfactory.

Trading profits for the first half were down from £853,000 to £560,000, before interest of £172,000 (£204,000). Tax took £10,000 (same) leaving a net balance of £378,000, against £639,000.

The net interim dividend is effectively maintained at 0.6p per 25p share—last year's total was equivalent to 2p on £1.33m profits.

FINANCIAL TIMES SURVEY

Tuesday November 27 1984

FRENCH BANKING

M. Pierre Beregovoy, France's new Finance Minister

In a harsher operating environment, French banks are being asked to reconcile the irreconcilable, to continue to aid companies in distress while at the same time being required to register healthy profits and make adequate risk provisions. They also face the added challenge of structural changes to the banking system

A more competitive atmosphere

By DAVID MARSH

THE MAJOR challenge facing the French banking community this year has ceased to be the task of absorbing the shock waves of the 1982 nationalisations. Instead, the No. 1 preoccupation, symptomatic of a harsher operating environment which is bound to get tougher still in coming years, is the problem of coping with increased competition and financial de-regulation slowly but surely spreading across France.

Existing worries for the banks have mainly been linked to the economic crisis and specific Government policies—higher risks from problem borrowers at home and abroad, pressures to help out lame-duck industries, and personnel and psychological upheavals stemming from the 1982 extension of state ownership.

To these has now been added a fresh set of challenges reflecting structural changes in the banking profession.

First, the banks, especially the institutions which rely on a large retail network for their deposit base, are gradually becoming aware that the steady downward trend of interest rates—a prime result of disinflation—is a durable phenomenon which will bring considerable pressure on traditionally comfortable margins.

The tight 4 to 6 per cent money supply growth target set for next year, together with the shake-out on the bond market when yields rose sharply earlier this year, underline that the Finance Ministry and the Bank of France will maintain a cautious attitude to easing credit costs.

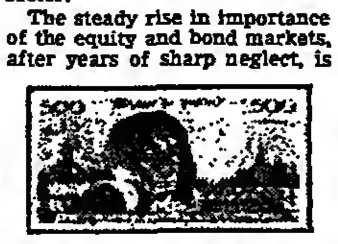
But, above all because of the sluggish economy, the interest rates trend for next year remains downward. And this is sparking greater efforts, encouraged from the wings by M Pierre Beregovoy, the new Finance Minister, for banks to trim overhead costs and end the tradition of cossetting staff in terms of wages, working conditions and fringe benefits.

Second, a series of events at home and abroad has forced the banks and the Government to recognise that the capital base of French banking—in spite of the state guarantee which underwrites the commercial banking sector—is sadly inadequate.

Failure to redress the balance could in coming years weaken what has been the banks' most powerful asset—their strong international presence and reputation—posing a threat to the credit rating of France itself.

Finally, although the pace of innovation is clearly a lot slower in France than in the U.S., Britain or Japan, the banks are at the epicentre of a mini-earthquake sending tremors through the financial sector.

The steady rise in importance of the equity and bond markets, after years of sharp neglect, is



changing mentalities, helping gradually to break down barriers and sparking new competitive pressures.

Demarcation lines between the banking world and the insurance, stockbroking and even retailing sectors are gradually becoming more blurred. This is underlined by a number of recent moves including the acquisition of Banque Worms by the Union des Assurances de Paris group or the growing financial services offered by large stores.

Even more significant would be a move by one of the big insurance groups, now under consideration, to take a stake in the Credit Industriel et Commercial (CIC) group.

The intermingling of sectors which traditionally have been poles apart—long and short-term asset management by investment institutions, to name just one example now stirring the bourse—is providing banks with opportunities to offer new customer services.

Against the background of strong marketing efforts by individual banks to promote electronic banking, and a slump in credit demand which has prompted the Government to phase out at the end of the year the *encadrement* system of loan ceilings, this adds up to a more competitive atmosphere than has been seen in French banking for many years.

Of course, like everything in France, the picture is nuanced. By taking under its wing (in a bizarre combination of bail-out and buy-out whose implications were not at all realised at the time) several lame duck institutions caught in the 1982 nationalisation net, the Government has served notice that the weakest banks will not go to the wall but will in fact be propped up by public aid.

The experiences of Continental Illinois and Johnson Matthey underline that this is hardly a phenomenon unique to France. But the 1982 takeover of good and bad alike has left some uniquely French dilemmas over the banks' capital resources.

The most profitable institutions make large annual payments to the state (amounting to about half their net profits last year) to help finance the exorbitant cost of the state takeovers. Yet they receive no shareholders' funds for boosting capital in return, with sparse state budgetary cash reserved for the banks in difficulties (Banque Vernes, Banque de L'Union Europeenne, Credit du Nord and L'Europeenne de Banque).

This state of affairs, lambasted as "a fatal inversion of economic logic" in a critical report from the right wing-dominated Senate this summer, is admitted to be less than perfect by the Finance Ministry itself.

"The state is not always the best possible shareholder," confesses one senior finance ministry official.

Even if the Government were prepared to accept de-national-

isation as an answer (which it is not), reversal of the state takeovers would remain highly difficult to put into practice. The right, which has been making considerable noise about denationalising banks and industry, is likely to find, if it returns to power, that French bank equity will not be eagerly sought-after so long as the generic problems of low profits and capital remain.

Bankers, both right and left-leaning, admit that without state backing, French banks would have to pay tougher terms on the increasingly large volumes of fund-raising carried out on the international capital markets. And the alacrity with which Paribas (along with Credit Agricole, the only French bank to command a triple-A rating on Wall Street) was forced this summer to withdraw from its ever more costly investment in New York securities firm Becker has underlined that weak capitalisation, spells vulnerability.

Although the means for redressing the position are limited, the message has been well and truly received. The Finance Ministry and the banks are now unanimous that the financial benefits of rising banking productivity (growing at perhaps 6 per cent annually thanks to technological advance) must no longer be channelled into higher staff payments and subsidised interest rates.

Instead the effort must go into increasing provisions and, via incorporation of profits, reserves. Provisions totalled FFr 24bn for the commercial banks last year against just FFr 7bn of net profits. For the Big Three banks, the ratio was even more marked: FFr 14.7bn in provisions and FFr 1.4bn in net profits.

A number of large banks, both newly-nationalised ones and two taken over in 1945, Banque Nationale de Paris and Credit Lyonnais, have come to the stock market this year to raise permanent capital in the form of *titres participatifs* (non voting loan stock). Société Generale has just launched an issue of *certificats d'investissement*, which are even closer to non-voting shares and have thus attracted close scrutiny from the Treasury: the Paribas, Suez and CIC groups are waiting to make similar issues.

M Beregovoy, who is trying to cultivate a dashing impression compared with his longer-seasoned predecessor, M Jacques Delors, has promised banks that the ending of the *encadrement* paves the way for a new era of "responsibility and freedom."

This remark has to be taken with a pinch of salt. But in a number of areas, bankers are in fact a great deal freer now than in the first year after the nationalisations.

Bank chairmen are in a stronger position to stand up to state interference. Often they do not even need to, now that the Government is making a genuine effort to roll back interventionist tendencies.

The absence in the summer of another government attempt to railroad banks into propping up Creusot Loire, steering France's biggest heavy engineering group into bankruptcy, surprised and even shocked many bankers as a sign of unsuspected liberalism being put into practice.

Banks are being allowed to place greater emphasis on profits (likely to strengthen again this year because of only lukewarm cuts in bank lending rates so far and a brighter provisions picture on international loans).

There is also official indulgence—even encouragement—for tough bank statements on employment along the lines made by M David Dautresme, chairman of Credit du Nord, who freely tells staff they will have to make an effort to win more accounts or else face job losses in coming years.

The one black spot in a sea of good intentions was the ignominious removal from office in the summer of M Daniel Deguen, the widely-respected chairman of Credit Commercial de France.

This move, influenced directly from the Elysee Palace, was a warning to other nationalised bank chairmen that their relatively increased freedom of speech and action does, after all, have limits.

At a time when France is trying to improve the efficiency of its financial structures, that sort of retreat into Byzantine power-play is sadly out of place.

IN THIS SURVEY

A contradiction of objectives

Policy

DAVID MARSH

IN THEIR ever-sensitive relations with industry, French banks are being asked to reconcile the irreconcilable.

Normal banking practice and government pressure (both overt and indirect) force the banks to make sacrifices—debt rescheduling, low-interest loans, even capital participations—to help companies in distress.

At the same time, the banks are being called upon with growing urgency to register healthy profits, make adequate provisions for risks at home and abroad and *boost* capital adequacy.

Bank of France requirements for banks' capital backing, setting down guidelines to be met by next June, could be tightened further in future, government officials say.

And to cap it all, the banks are being encouraged to take greater risks in providing start-up funds for promising small businesses, in line with the new Government drive to import U.S. venture capital techniques.

To provide the means to do all this, and to pay hefty overhead costs, banks have little choice but to keep *interest* rates at high levels. That is one of the reasons why real interest rates in France have risen over the past 18 months.

The banks' base lending rate, currently 12 per cent, has fallen by only 0.25 points since January 1983, while inflation has come down 2.5 points to around 7 per cent.

Even though around 50 per *cent of credits throughout* the economy are at subsidised rates, high borrowing costs provide one of the reasons why credit demand has slumped and overall investment (despite a sharp recovery in manufacturing industry this year) is still weak.

Given the success in the fight against inflation, interest rates—depending of course on the state of the franc on foreign exchanges—can be *expected* to continue to fall in the next 12 months.

But tight credit is undoubtedly a key factor explaining the steady rise in bankruptcies (up 10 per cent this year) and the number of cases of companies in difficulties piling up in ministerial dossiers—which in turn will spark more pressures for bank bail-outs.

The number of companies going to the wall may be, to use one top banker's clinical term, "an indicator of economic adjustment." But it has made the banks—within the limits possible *in France*—more prudent about their corporate exposure.

The banks are becoming more attentive to making full and immediate provisions for companies in difficulties. The spectacular bankruptcies of Creusot Loire and Amrep have probably been the largest single dual source of new domestic provisions this year.

At a time when the overall financial position of industry has been improving sharply (thanks partly to job cuts and sluggish investment), banks have had more opportunity during the year to make careful choices about which industrial sector to back.

Widening gap

"The gap between the performances of sectors in difficulty and those doing well has steadily widened," says one banker. Banks such as Credit du Nord, Banque Parisienne de Credit or the Banques Populaires group which are all geared towards small and medium-sized industry, have been making a clear effort to boost loans to this sector. In the former two cases this has even led to pressure on *encadrement* limits which for banks overall have not bitten this year.

Banks have also faced less direct pressure from the Government to bail out needy companies. One senior banker at a major nationalised bank, who was deeply pessimistic two years ago over the build-up of state directives and controls, now reports that the situation is "not ideal, but relatively satisfactory."

He judges as positive, like many others, the Government's decision to allow Creusot Loire to file for bankruptcy rather than seeking another bank-sponsored funding programme.

In spite of perennial trouble spots in steel, shipbuilding textiles and paper, and new financial worries in the car industry, this banker reports that the number of loans on his books made as a direct result of government requests has fallen in 1984 compared with 1983.

Several bankers however believe that pressures for bank *bail-outs could* increase next year as government funds to aid industry become still scarcer and the approach of the 1986 elections makes tough lay-off decisions — particularly in public sector groups like Renault — politically impracticable.

Officials at Ciri, the inter-ministerial committee which handles cases of companies in difficulty, however, underlines the Government's lack of interest in carrying out purely financial rescues for lame ducks, without appropriate industrial solutions too.

Unrealistic deals

Ciri's main objective is to save jobs. It is currently examining around 100 dossiers concerning 92,000 workers in troubled sectors. But the experience of the last 12, with Ciri showing a more hard-headed approach—restructuring companies like Richier, Dunlop and Fenwick, all involving heavy job losses—has underlined that the Government is no longer intent on pushing through unrealistic rescue deals at the expense of the banks.

Even though the state owned steel groups are pressing the Government to come up with rescue packages to reschedule their considerable debts, bankers are much more confident about resisting pressures than they were when similar exercises (to benefit the nationalised industrial sector generally) were carried out in 1982.

And with the Socialists now staking their political future on a more liberal economic approach, attempts to force banks to plug too many gaps in companies' accounts may now meet a much harsher judgment from public opinion.

Profile: M. Claude Jouven

By David Marsh

On a winning streak

"BEFORE, I used to have to argue with companies that they shouldn't have a percentage point more. Now, I have to convince them that they shouldn't be granted a point less," grins M Claude Jouven, the chairman of Credit Commercial de France.

Catapulted into the CCF hot seat in June in one of this year's most controversial financial appointments, M Jouven during the last two years has been used to switching roles. In 1982 he was plucked out of his previous industrial career by M Jacques Delors, the then Finance Minister, to head the Consumption and Competition Commission charged in particular with policing the Government's tough price controls on industry.

M Jouven, already with solid commercial experience at the McKinsey, Unilever and the Sommer Alibert plastic company, knuckled down to the hardly well-loved job of France's No 1 price inspector, and takes some credit for the drastic decline in inflationary mentalities in France over the last three years.

He now faces another challenge. M Daniel Deguen, the previous CCF chairman whose mandate was not renewed by the Government this summer, was well liked in the bank. He was generally reckoned to have done a good job in rebuilding spirit at a bank where morale had already been knocked by the February 1982 state takeover and the death just three months afterwards of M Raoul Duval, the man originally chosen to lead the bank into the post-nationalisation era.

M Jouven jokes that he is well used to friends telling him he is about to fall at each successive job hurdle. And he declares that, whatever the zig-zags CCF has taken over the last few years, the bank is now on a winning streak.

CCF, the private French bank with one of the best connections on the international financial markets, faced particular problems of seeking a new image after the state takeover.

M Jouven believes it has now been found as a result of CCF's foray into electronic banking, its further drive to expand its international presence and its undoubted expertise on rapidly developing financial markets at home and abroad.

M Claude Jouven, chairman of Credit Commercial de France

He affirms (and he is probably right on both counts) that nationalisation has been an overall help in securing the bank's credit rating in New York at a time of world financial strain; and that, even if a large part of his domestic rivals are now owned by the same shareholder, banking competition in France is extraordinarily strong.

This latter factor, M Jouven believes, makes particularly crucial the bank's push into providing arms-length banking services for personal and corporate clients through a system of Videocompte terminals installed in homes and offices.

The system, in which CCF claims it has a world first (although Credit du Nord is stalking up behind it in France), is based on the telecommunications administration's Minitel terminal network. Already 11,000 terminals have been installed at individual clients, and 4,500 at companies. The promotional phase has only just begun in France and M Jouven hopes to extend it to customers of CCF's Italian operations in 1986.

One of the key objectives given by the state to the nationalised banks—as well as, he insists, to make a decent profit — is "to encourage French savers to move their money out of gold and property," says M Jouven.

CCF, a well-known innovator in the financial sector, has played its part through pioneering company flotations on the "second marché" of the Paris bourse and building extensively its unit trust and general asset management business. Commission earnings from such activities rose 25 per cent last year and are also rising strongly in 1984.

A cloud remains over net profits—which recovered last year at the group level but slumped for the parent bank—as a result of provisions.

Like all French bankers these days, M Jouven insists on the need to make full allowance for risks as early as possible—but confesses to be more worried about the bank's Brazilian and Argentinian exposure than about doubtful domestic loans.

Another question mark surrounds the future shape of co-operation with Union de Banques à Paris and L'Européene de Banque, where M Jouven frankly admits he cannot predict the outcome of negotiations.

Profile: M. Daniel Lebegue

By David Housego

Less interventionist line

THE appointment of M Daniel Lebegue as head of the French Treasury was one of those events—all too rare in France's much politicised economic life—that won widespread approval. He is known and admired within the Socialist party from being an economic counsellor to M Pierre Mauroy when he was Prime Minister. As a Treasury civil servant who most recently headed the economic and financial services division, he is popular and respected by his colleagues.

He took over as head of the Treasury from M Michel Camdessus—who has just been appointed successor to M Renaud de La Geniere as Governor of the Bank of France—shortly after M Pierre Beregovoy was named as Finance Minister. The job has inevitably changed with the change of Minister. M Delors, with a career in the Bank of France behind him, was a technocrat himself who liked to plunge himself in the detail before taking a decision. The disadvantage was some delay in decision taking.

M Beregovoy is a politician with no pretence to previous financial expertise. He thus relies on officials to do the spadework and then makes up his mind rapidly. The disadvantage is that he shares many French politicians' distrust of Treasury mandarins.

He came to office wanting to inject some stimulus into the economy to boost output and jobs. It was M Lebegue and his colleagues who had to explain that France had no room for manoeuvre on that score.

A quiet, modest man of considerable charm, M Lebegue likes to accompany his explanations to politicians or journalists by plotting a table or a chart. He feels happier when he can put numbers or diagrams on paper to elucidate his point. A former *financial attache* to Tokyo, he is one of the still small—but influential—group of French civil servants who have a first hand experience of Japan.

The role of the French Treasury should have expanded with the nationalisation of the banks and of major industrial groups under the Socialists. M Lebegue would maintain that it is in fact less interventionalist. He has been known to recall that his predecessors would phone up the chairman of one or two key banks to tell them the Government wanted a lowering of bank base lending rates. The last time base rates came down in France—under M Lebegue's stewardship—it was after lengthy consultation with the banks.

Since taking over as head of the Treasury, he has encouraged a loosening of exchange controls and of the encadrement de credit—the French system of controlling bank lending. He has probably also been influential in cautioning the Government of the risks of outstripping West Germany's economic growth because of the impact this could have on France's trade balance.

At only 41, he is young by international standards to be head of the Treasury. But youth in the post is in the French tradition.

Revitalisation continues

Capital Markets

DAVID MARSH

THE FRENCH stock market this year, in contrast to most expectations, has kept up the momentum of 1983's already impressive expansion. After years in the doldrums, the combination of a Socialist Government and mounting unemployment is providing the unpropitious backcloth for a remarkable revitalisation of France's financial markets.

Share prices, which already rose 56 per cent last year, increased another 16 per cent in the first ten months of 1984. Investors now accept the post-March 1983 tilt towards "pragmatic socialism" as a durable feature of the Mitterrand administration, and alternative investment channels for savings are in short supply.

The price surge partly reflects the narrowness of trading in the thin Paris market which, after losing principal heavyweight stocks in the 1982 nationalisations, has only half the capitalisation even of West Germany's under-developed stock exchanges.

It also represents a "catch-up" from the price doldrums of 1981 and 1982. But the fillip has been enough to outperform most other financial centres over the past 18 months, and has put new life back into the investment community.

Equity market transactions, although up by about 45 per cent from 1982, are showing a slight fall on last year. This is owing to a slump in trading in foreign shares, for which demand has fallen heavily in recent months amid a drop in the currency premium through which investors have to pass to buy foreign securities.

The star of the bourse has continued to be the bond sector, where dealing has risen by a further 64 per cent following last year's 47 per cent rise and the 81 per cent jump in 1982. Bond trading now makes up 75 per cent of all bourse transactions, against 56 per cent in 1981.

New bond issues set a record at the nine-month mark, with over FFr 200bn in new launches, compared with FFr 194bn in 1983, FFr 154bn in 1982 and only FFr 107bn in 1981.

An upsurge in foreign institutional demand in recent weeks has coincided with France's decision, announced in line with West Germany, to end the 25 per cent withholding tax on foreign bond purchases.

Strong bond market conditions have allowed the Government to fund a large slice of this year's higher than expected budget deficit through long-term issues. In addition to three state bonds garnering FFr 55bn, the Treasury this year has also stepped up the pace of "renewable" bonds issued through a "tap" system, where the largest-ever launch of FFr 10bn has just been announced.

Against this background a rapid shake-out of prices on the bond market a fortnight ago, following two months of steady falls in yields, amounted to the most brutal slump seen in the capital market since the Socialists election victory in 1981.

A decision could come soon to reopen the Eurofranc bond sector for French and international borrowers, closed for 3½ years. But the move will clearly depend on the position of the franc on the foreign exchanges and other currency control steps which are also being considered by the Government. Earlier this month the Government took some mainly symbolic measures to relax exchange controls, but the exchange premiums system, regulating residents' investment in foreign securities is still in place.

Other signs of changes are tha expected appearance of the European Community as a borrower on the domestic market, and the Finance Ministry's plans to set up a futures market for bonds.

The real revolution in the financial sphere this year, however, has come on the side of the investors. Adding to the already well-established Sicav unit trusts (which have been having a mediocre year partly because of the relative weakness of foreign shares) banks and investment institutions have been active in setting up short-term financial and money market funds to channel savings away from bank accounts towards market placements.

New issues

	1983	1984*
EQUITY ISSUES:		
Full market	5.94	5.00
Second market	0.02	0.39
BOND ISSUES:		
Convertible	1.80	1.13
With warrants	1.30	2.84
Conventional	140.35	190.26
(of which state bonds	36.01	74.76)
TITRES PARTICIPATIFS	3.05	5.34

* January-September

Source: COB.

High overheads a problem

Efficiency

DAVID HOUSEGO

FRENCH BANKS have long known that rapid disinflation in France and the lowering of interest rates could impose a damaging squeeze on their profit margins.

But it took a report of the Planning Commission published recently to show how fragile is their domestic financial situation. The report concluded that French banks need a real lending spread of 7 per cent to cover their existing costs and thus that they could not afford a fall in the base landing rate to below that level.

The need for the high spread reflects the heavy overheads incurred by the major French banks in managing a widely spread deposit network and above all the French insistence on making their payments by cheques. Some 4.2bn cheques are written in France each year at a cost to banks of FFr 3 each.

The squeeza on margins is potentially worse for the large nationalised banks which depend for the bulk of their resources on deposits. It is less for Investment banks such as Paribas which carry lighter overheads and which at a time of disinflation can obtain funds at steadily decreasing rates on the money markets. The report—prepared by a committee from the Planning Commision in conjunction with the Treasury and the banks—does not believe that in the short term the deposit banks will be able to compress greatly their overhead costs.

Over the medium-term the report comes up with a number of proposals to improve the efficiency of domestic banking. It emphasises the rednction in cost and the gains in productivity to be had from making wider use of electronic payments and computerisation in the banks.

It believes that cuts in the bank workforces can be held to 10 per cent of the existing level of 400,000 if banks extend their range of services sufficiently.

It is thus far less pessimistic than the Nora-Minc report of six years ago which argued that the banks' shift to electronic systems would leave them with a 30 per cent to 50 per cent surplus staff.

But the committee does bring out the enormous training effort that will be needed in the banks to reconvert a labour force that expanded substantially in the boom years of the 1960s and 1970s but which is badly under-qualified to provide the services that banks now need to offer.

The main emphasis of the report in improving banks' profitability is in pushing them towards offering a greater variety of services.

Among these services it includes help to families in managing their household accounts and a far broader range of support for industry.

Above all it sees opportunities for the banks to move into the insurance business and particularly into life insurance.

Profile: M. Yves Le Portz

Scope to play inspirational role

By David Marsh

ONE OF the strengths of the French Governmental system is the deep reservoir of civil service expertise available to fill top administrative posts.

Casting around for a successor to M Bernard Tricot, the 64-year-old president of France's stock exchange watchdog body, the Commission des Operations da Bourse (COB), who left this summer after four years' service, the Government came up with another long-time administrator who looks like an almost Identikit replacement.

He is M Yves Le Portz, who is the same age as M Tricot and also has long career experience in Gaullist and Fourth Republic ministries. What is more, he is well known on the international financial circuit—he has spent the past 22 years at the European Investment Bank, the past 14 as president — and should help prompt more outward-looking attitudes on the too-often parochial French financial markets.

The COB has the dual role both of supervising the running of the bourse—in liaison with the self-regulatory system run by the stockbrokers' association—and of assisting efforts to develop and strengthen the financial markets in general.

"We have to play a certain inspirational role—but also to make sure that the market is as transparent as possible for investors," says the new COB chairman.

The two occupations can add up to over-time working for the COB's 90-strong staff—a number which has remained stable for five years and M Le Portz would like to be increased.

The number of COB investigations into suspected irregularities on the securities market rose five-fold last year (from 12 to 65), accompanying the strong increase in both bond and share trading. In July the COB announced uncovering of a large-scale scandal involving rigging of bond trading deals by Paris stockbroking personnel. This has led to criminal charges—an affair which M Le Portz hopes will serve as "an example."

The COB, which operates from an "ivory tower" headquarters overlooking the Seine in South West Paris, three miles away from the financial district, is often accused of lacking sufficient teeth for its watchdog role. M Le Portz smiles politely but determinedly when asked about COB action against insider dealing and says simply: "You can be sure that our investigators see many things."

He has arrived back on the Paris financial scene at a time when innovation is clearly in the air.

Adding to the COB's challenges are the successful opening last year of the "second" or unlisted securities markets, adding fresh blood into bourse arteries and prompting growing interest in risk capital; the growth of power of institutional investors as a result of the explosion of unit trusts and other financial market funds; and the return to the bourse of nationalised companies, raising capital in the form of titres participatifs and a range of other ingenious devices.

"The degree of imagination which has allowed the nationalised companies to become reintegrated on to the financial markets is without parallel abroad," M Le Portz says with typical understatement.

M Le Portz—whose spell at the COB will take him well beyond the normal retiring age—leaves no doubt that he has sufficient imagination to keep up with it all over his four year term.

Bank marriages prove controversial

Link-ups

PAUL BETTS

ONE of the pet banking policies of the French socialist Government has been to encourage mergers and associations between large and small banks in the newly nationalised French banking system.

In theory, there was a lot to be said for a series of links which would enable banks of different types and sizes to merge their complementary skills and assets and draw from each others respective strengths.

In this way, smaller banks could grow under the umbrella of a larger group, especially in the international field, while larger groups could benefit from the greater local contact of small banks with small and medium-sized companies.

In practice, the banking associations promoted by the socialist monetary authorities have proved controversial affairs which have created more bad than good feeling in the nationalised banking community.

In most cases, the associations in which the various banks would maintain their autonomy while collaborating with its partners in the "archipel" (as these link-ups have been called in French banking circles) have ended up with a big bank taking over a smaller one. The large Suez group is now set to take over the struggling Banque Vernes and the profitable retail bank the Banque Parisienne de Credit.

Originally Banque Worms, the large state owned investment bank, was due to link with Banque Vernes and Banque Parisienne de Credit. But Banque Worms declined to enter into the association, and has instead come under the control of L'Union des Assurances de Paris (UAP), France's largest nationalised insurance group in what is the first significant merger between a leading insurance company and a French bank.

Another major banking association favoured by the Government involved the Credit Commercial de France (CCF), one of France's largest nationalised banks with substantial international operations, L'Europeenne de Banque, the former Rothschild bank renamed after nationalisation, and the small but profitable Union de Banques a Paris (UBP).

L'Europeenne de Banque has been in dire need of support, having suffered a major psychological blow under nationalisation, exacerbating an already fragile financial position.

Although it has sought to maintain a separate identity, the former Rothschild bank is now due to come under control of the CCF which is expected to take a majority stake in the bank next year.

As for the Union de Banques a Paris it has never been very happy about the link-up with CCF and L'Europeenne. M Pierre Guillaud, a senior UBP official, explained that the bank was favourable to the Government's political project of nationalised banks linking up together.

But he explained that in practise these attempts to team up banks of different characters and sizes, were extremely difficult to achieve.

For UBP the problem was that it is a profitable bank concentrating on a regional strategy in contrast to a group like CCF, which is much larger, and whose ambitions are more international. A small bank like UBP has found it difficult to have an equitable relationship with a larger institution like the CCF.

Thus while the UBP has signed an agreement to collaborate with the CCF and L'Europeenne de Banque, it feels that the agreement has not led to any constructive collaboration so far. UBP is also now negotiating the take-over of the Compagnie Commerciale de Banque, which used to be called the Discount Bank. This small deposit bank has long been a troubled subsidiary of L'Europeenne de Banque.

In the absence so far of a fruitful association with its partners, UBP has been developing its own new financial products and strategy, seeking to consolidate its presence in the Paris area and as a financial support to local small and medium businesses.

But the UBP still sees that the socialist project of nationalised banks of different sizes teaming up together could prove fruitful in the longer term—that is if there is real complementarity between the various partners and a real will to collaborate in an equitable manner. However, the UBP also sees new challenges coming forward as a result of the breakdown of the traditional barriers between banking, insurance, retailing and financial services.

M Guillaud sees one challenge coming in the future from the big supermarket chains like La Redoute or Carrefour. Already some of these retail chains are beginning to offer financial services in their stores involving car insurance or home insurance. UBP is thus studying a venture to offer special credit card facilities for motorists in association with Esso, the French subsidiary of the U.S. Exxon oil group.

The recent takeover of the Worms banking group by the UAP insurance concern is another telling signal of the evolution in the French financial services industry.

The rewards of rarity value

Private Banks

DAVID MARSH

ONE AREA of the French banking community at least has registered clear benefits from the 1982 nationalisations. In the plush parlours of the nation's privately-owned banks — of which all the larger ones are under foreign control — there has been ample cause for discreet smiles over the past two or three years.

The state takeovers did, it is true, lead to some distortion of competition. By nationalising all French-owned institutions with deposits of more than FFr 1bn ($107m) — compared with what would surely have been a more sensible cut-off of FFr 10bn — the Government took under its wing some struggling small-fry.

By propping them up with state help, rather than allowing them to fall by the wayside where they could be gobbled up by larger rivals, the Government has perhaps deprived foreign banks of a cheap way of buying French banking assets.

On the other hand, at least for the top six or seven of the foreign banks, nationalisation of the bulk of their larger French competitors has led to sizable direct and indirect benefits.

Whatever the general difficulties of the French banking environment, private banks have suddenly and gratefully been given rarity value.

In several fields — particularly in managing private wealth, where several of the foreign banks were already in a strong position — they are profiting from a perception that the private banking community can offer a "different" service.

Now that the death knell has been struck for the *encadrement* system of credit ceilings, which over the past 12 years has particularly hampered foreign banks' business growth, they may receive a new fillip.

Much will depend however on the details of the new control system now being worked out, which could conceivably prove almost as restrictive as the old one.

The net effect of the *encadrement*, for at least the bigger fish of the foreign banking community, may in fact have been positive over the past decade. It has pushed them increasingly into off-balance sheet financial services, giving them an important advantage in what is now the fastest expanding and most profitable part of French banking.

Even after the 1982 state takeovers, private banks in France remain relatively thick on the ground. At the end of last year, out of 401 commercial banks *(banques inscrites)* operating in the country, 134 (with a balance sheet of FFr 2,558bn) were in the public sector against 267 private institutions (balance sheet FFr 889bn).

Underlining the competitive muscle of the foreign banks, this latter sector is made up of 147 foreign institutions with a balance sheet of FFr 630 bn — and a remaining 120 French minnows with a total of FFr 259bn.

Barclays is now at the helm of the private banking community, with a network of 42 branches and subsidiaries in France and Monaco and a balance sheet of about FFr 22bn. Barclays' French operating chief, M Pierre de Lalonde, an ex-Banque Nationale de Paris man who took over more than a decade ago, says the bank profited from "the year of hesitation" following the 1982 nationalisations.

"We now know that the nationalised bank chairmen are not civil servants — the banks are continuing much as before," he says. But the immediate effect of the shake-up was to prompt some wealthy personal clients to change banks. It also encouraged corporate clients to seek at least one non-nationalised institution in their banking pools in an effort to diversify funding sources, he says.

Barclays in the past had not made its French wealth management activities an active profit centre. But it has capitalised on the trend of the past 2½ years—where another prestigious foreign name, Morgan Guaranty, has almost certainly profited even more—to double its asset management portfolio (now around FFr 1bn) and to launch new unit trusts and financial market funds.

Barclays, like other foreign banks, has also benefited from a relatively freer environment concerning companies in distress. It refused to take part in the Creusot-Loire bail-out package in autumn 1982.

Coordinates aid

Although it is frequently in contact with the Ciri governmental committee which coordinates aid for companies in difficulties, "they have no means to force us," smiles M de Lalonde. Like most French banks, however, Barclays took a big increase in provisions last year (up 58 per cent) which accounted for a FFr 16m drop in net profits to FFr 63m.

Like Barclays, Banque de Neuflize Schlumberger, Mallet (NSM), the old-established institution now under the control of Dutch group Algemene Bank Nederland, believes it would have reaped more profit from the nationalisations but for the effect of the *encadrement* in limiting credit growth.

NSM, which is roughly level pegging with Barclays in terms of size (balance sheet about FFr 20bn), has carved out a similar market niche in its appeal to medium-sized commercial clients. But the speciality on which it has built its reputation is in financial services—commission business makes up one third of revenues.

The bank has registered fast growth over the past five years. The key to its success has lain in bringing together increasingly the monetary and financial sides of banking and offering improved personal services to customers in areas such as international placements and fiscal advice, according to M Antoine Dupont-Fauville, the chairman.

Banque Louis-Dreyfus, which is 50-50 owned by the Belgian Banque Bruxelles Lambert (which took its stake in 1979) and the Louis Dreyfus commodity and shipping group, is also in no doubt that the 1982 changes in the banking landscape have been to its advantage.

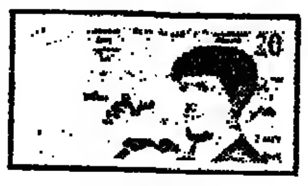
The bank escaped nationalisation by a whisker by being able to show that it had a tiny majority of foreign shareholders. Since then it has continued to churn out comfortable profits, considerably boosting its asset management business and also developing its original merchant banking vocation.

In an experience common to other small banks which find they have a *certain fleetness* to offer, the bank still works with all the big industrial companies nationalised in 1982. Although heavily turned towards international business (with about 10 per cent of its credits in shipping) it claims to have ridden without undue problems the turbulence of the past few years.

Unusually for French banks, it is being allowed by the authorities to pursue opening of new regional branches. And it is considering an increase in its relatively slender share capital of FFr 120m next year

The new dealing room at Banque Indosuez, which cost FFr 23m and represents a mini-revolution in traditional French banking attitudes

Move to update operations



Foreign Exchange

DAVID MARSH

A FAVOURITE criticism levelled at French banks — especially from right-wing politicians opposed to the 1982 nationalisations — is that they are falling away in the international race to provide modern financial services based on information technology.

In fact, quite apart from the technological strides being made in retail banking, a number of banks have been pursuing big efforts to modernise their often antiquated foreign exchange and money market dealing.

Following in the footsteps of Credit Lyonnais and Societe Generale, the latest bank to renovate its market dealing room is Banque Indosuez.

In what amounts to a mini-revolution in traditional French banking attitudes, it has just inagurated a new market room, costing FFr 23m ($2.75m) to install, which groups together practically all the bank's international and domestic financial dealing.

The concept is hardly new to U.S. banks, but is an innovation in France. The object of bringing together foreign exchange, money market and primary and secondary bond traders in a 1,000 sq metre area "is not just for the pleasure of building a big room," says M Antoine Jeancourt-Galignani, Banque Indosuez managing director.

"The aim is to bring together traders whose approach to the traditional market sectors is different, but who need increasingly to communicate with each other because of the breaking down of barriers."

The overall approach, in line with the bank's objective of increasing specialisation in sophisticated financial operations, is to boost the service to customers. "Clients are becoming more and more involved in a combination of different operations — for instance, linking a long-term bond financing to a short-term foreign exchange and placement operation," says M Jeancourt. "It's an area forging ahead fast."

The only sector not covered by the dealing room is the bourse. "By putting companies in contact with all the markets," says M Jean-Francois Lepetit, head of treasury operations. "We help them better to manage their positions."

Indosuez is introducing the same integrated dealing concept in other centres in London, New York, Tokyo and Bahrain. M Jeancourt stresses that, whatever the restrictions on French companies posed by domestic exchange controls, the dealing service is international in scope and is to the benefit of French and foreign customers alike.

Demand for an overall dealing operation for French customers has certainly been increased by innovation on the domestic financial markets, in line with trends already well established in the Anglo-Saxon world.

According to M Eric Coelenbier, head of bond activities, operations demanding expertise in different sectors—such as interest rate or currency swaps on the bond market, hedging transactions using the London or Chicago futures markets, or fixed/floating rate funding packages—are becoming ever more common. "In order to co-*ordinate all these operations*, people have to be together."

The 100 or so traders and back-up staff in the dealing room—one-third of them women—are grouped around half-a-dozen trading desks, open-plan, softly-lit trading desks, elegantly finished in black and red and bristling with electronics.

A large part of installation costs reflect spending on telecommunications and computer equipment, supplied notably by the French Compagnie des Signeux (CSEE) electronics group and the ubiquitous IBM.

Conflict over who foots the bill

Electronic Banking

DAVID MARSH

FRENCH BANKS are striding ahead in developing electronic banking systems for shops, streets and homes to take strains out of bank queues and, most importantly, out of balance sheets.

The prizes are great. Handling cheques, more than 4bn of which are written out each year, costs banks FFr 20bn annually. Fraud connected with conventional payment systems is a growth industry, costing banks in the Carte Bleue credit card network FFr 70m last year.

The market for hardware and software for electronic payment systems could total FFr 5bn by 1988, according to the Government's Information Technology Agency. And development of electronic banking for export markets holds mouth-watering possibilities both for the banks and industrial suppliers.

The problem is that, in the short term, electronic advances in the financial area will cost considerably more than they bring in profits. Considerable conflict is also brewing over who—the banks, shopkeepers or the customer—is going to foot the bill for the large initial investments.

The banks are protesting that, having already sunk large sums into computer technology over the past decade, they are being called upon to carry too large a share of the burden of developing cashless banking.

Costs of the burgeoning network of automatic cash dispensers, which is planned to rise to 7,500 units by end-1984 and 10,000 by end-1988 (costing FFr 700,000 apiece for the most sophisticated models) are borne, naturally enough, by the banks themselves.

The nationwide Minitel system of home terminals, developed initially to provide an electronic telephone directory, and which will also offer an increasing range of living-room teletext services, is being financed by the telecommunications administration — that is, the telephone user.

Banks aim to use the Minitel network, which is gradually being introduced around the country, as the basis for home banking systems. These are being built up from present pilot schemes offering clients details of bank balances or the possibility of ordering cheque books, to progress customers eventually with the means of carrying out transactions from the home.

The Finance Ministry in general is now ready to accept the principle of making customers pay for specific new services (which has not been the rule in France). But these electronic innovations up to now have been introduced, particularly by medium-sized banks such as Credit Commercial de France and Credit du Nord anxious to win market share, as a loss-leader, and future tariff policy has deliberately been left in abeyance.

The question of "who pays?" has already led to controversy over the point of sale terminals being introduced in shops and stores. Five towns—Blois, Caen and Lyons using "smart" microprocessor-containing cards and Aix-en-Provence and Saint Etienne using standard magnetic-strip cards — were the initial test sites, starting in autumn 1982, for cashless retailing experiments.

Other towns have now been added to the list, with the aim to boost above all use of the "smart card."

The number of operating point of sale terminals, each costing around FFr 12,500 to produce and install, will have leapt by the end of this year to nearly 40,000 from 8,000 last year.

But retailers have given notice that the banks face a fierce fight over a bid to unload a significant part of the costs on to the shops.

The arguments centring around what the French Banking Association coyly calls "negative reactions over the tariff system" will clearly need to be patched up if the number of terminals is to be raised, as planned, to between 70,000 and 100,000 by the end of the decade.

A major step towards harmonising the banks' approach over tariff policy—and over the propagation of electronic banking in general—took place at the end of July. This was the signing of an agreement between two groups of banks which had previously been rival participants in Carte Bleue, affiliated to the international Visa system, and those in Carte Verte, run by Credit Agricole which forms part of the Mastercard network.

The agreement, linking all the major commercial banks as well as the big co-operative banking institutions, the Post Office bank and the savings network, sets end-1985 as the date for full harmonisation of a single cashless banking system.

Linking around 11m cardholders (5m with Carte Bleue and 6m with Carte Verte) the accord paves the way for common technology to be used in shop terminals, cash dispensers and telling machines and, later home banking terminals.

The display of harmony was bruised in September when Credit Lyonnais announced a separate link-up with American Express allowing that organisation's foreign card holders exclusive access to its cash dispensers, which many bankers believe contravenes the spirit of the July accord.

In general, however, this summer's agreement was a vital pre-condition for pushing French electronic banking into full commercial development.

Although banks will maintain separate control over marketing their individual cards, the agreement also allows them to bring in a common line on tariffs, setting a basic rental of FFr 300 per month for terminals installed in retailers, with similar guidelines on commission charges.

The banks, from the beginning of next year, plan to set up a joint Carte-Bancaire organisation to manage technical aspects of the new credit card system. The Carte Bleue banks are, however, to keep up a distinct image within the new set-up to capitalise on the FFr 150m of advertising lavished on promoting Carta Bleue since it was set up in 1967.

The banks have decided to opt for the smart card as the basis of the new unified system. Bankers would like the number of "smart banking cards" in circulation to grow by 1m next year and to reach 8m by 1988.

No banking orders of that scale have yet, however, been placed with Bull, the state-owned computer group which is pioneering a "smart card" production, and the pace of distribution could well be a lot slower.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

ØØ

Tuesday November 27 1984

World Bank issue given 99-year term, Page 44

WALL STREET

Unease over renewed fall in oil prices

THE RENEWED weakness in oil prices unsettled New York's financial markets yesterday as they braced themselves for a week which will bring both the latest federal data on the progress of the U.S. economy as well as renewed funding demands from the Treasury, *writes Terry Byland in New York.*

The bond market turned easier after holding firm for most of the session. Stock prices slid lower until a rally in the final half hour reduced the day's falls.

The Dow Jones industrial average, more than 10 points off at one time, ended at 1,212.35, a net 7.95 points down. Turnover remained moderate, with 77m shares traded.

There was some nervousnews ahead of the disclosure today of the Treasury's tax reform plan.

Reductions in prime rates had become inevitable in view of the falls in money market rates over the past fortnight and had been forecast at the weekend by Dr Henry Kaufman, chief economist at Saloman Bros, and by several other analysts.

More significant for both fixed interest and stock markets is the slowdown in the pace of the U.S. economy. This trend which is expected to be confirmed this week by the Commerce Department's latest index of leading economic indicators, could drive interest rates yet lower, in the view of stock market economists.

Another possible response could be a further easing in credit policies by the Fed. Yesterday it again supplied reserves to the credit market with $1.5bn in customer repurchase arrangments when the federal funds rate stood at 9 per cent.

Analysts expect the October index of leading indicators, due for release on Thursday, to show a minor fall.

Financial stocks contined to hold up well, with the savings and loans groups and the banks still in favour. Lower funding rates benefit the S&Ls, and lower interest rates will ease some of the problems of the Latin American debt portfolios at the banks.

But oil stocks fell heavily after the sharp downturn in crude prices in Europe on Friday. Phillips Petroleum dropped an early $1⅛ to $41¼. Atlantic Richfield $1 to $45½ and Exxon $⅜ to $43⅜.

Texaco, which is taking a charge of $765m to allow for declines in oil assets, fell $1¼ to $34¼.

A focus of interest was Tenneco's $430m deal with International Harvester. Stock in Harvester slipped lower as investors pondered the details of the group's exit from its century-old presence in the farm machinery business. With more than half a million shares traded, Harvester was quoted at $7¾, down $½.

Tenneco at $34⅜ was $½ off after the announcement that it would assume some of the unfunded liabilities of the Harvester pension fund.

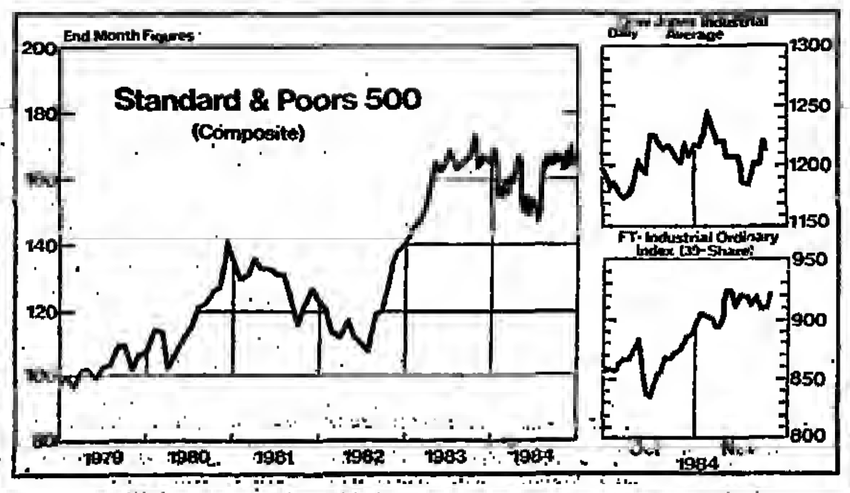
On the American Stock Exchange, there was heavy turnover in BAT and Imperial Group, the two UK tobacco giants traded in the form of American depositary receipts (ADRs). Block deals of more than 1m ADRs were reported for both companies, with BAT $¼ higher at $3 11/16, and Imperial unchanged at $2.

On the bid front Prentice-Hall, the publisher which yesterday agreed to $71 a share bid terms from Gulf and Western, was suspended at $70¾ – with Gabelli, the third-market trader, offering to trade at $70⅝ to $71⅛ after the announcement.

In the money market, near-dated certificates of deposit fell by up to 10 basis points after Citicorp's prime rate cut. Treasury bills, however which fell to 13-week lows on Friday, added 5 to 9 basis points ahead of auctions of $14bn bills this week.

The bond market moved narrowly, with prices mostly higher as investors looked for further falls in long-term rates. The key long bond added 9/32 to 103 27/32.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 26	Previous	Year ago
NEW YORK			
DJ Industrials	1,212.35	1,220.3	1,277.44
DJ Transport	531.78	532.99	610.43
DJ Utilities	144.85	145.72	137.52
S&P Composite	165.55	166.92	167.18
LONDON			
FT Ind Ord	922.1	910.3	743.9
FT-SE 100	1,172.3	1,158.8	960.9
FT-A All-share	554.97	549.62	460.92
FT-A 500	605.46	599.06	495.20
FT Gold mines	576.8	576.2	557.1
FT-A Long gilt	10.11	10.11	10.20
TOKYO			
Nikkei-Dow	11,162.96	11,207.7	9,340.85
Tokyo SE	846.99	849.98	687.92
AUSTRALIA			
All Ord.	765.5	770.1	738.4
Metals & Mins.	457.8	468.8	540.3
AUSTRIA			
Credit Aktien	n/a	58.48	54.06
BELGIUM			
Belgian SE	158.5	157.19	125.8
CANADA			
Toronto Metals & Minls	1,972.38	2,003.6	2,428.0
Composite	2,399.42	2,414.3	2,495.4
Montreal Portfolio	119.18	120.27	123.02
DENMARK			
Copenhagen SE	168.93	168.13	195.76
FRANCE			
CAC Gen	181.7	180.9	148.7
Ind. Tendance	121.7	121.0	94.5
WEST GERMANY			
FAZ-Aktien	373.22	370.27	345.1
Commerzbank	1,092.1	1,085.8	1,025.2
HONG KONG			
Hang Seng	1,113.96	1,096.04	830.12
ITALY			
Banca Comm.	216.43	214.18	193.06
NETHERLANDS			
ANP-CBS Gen	178.4	175.8	143.2
ANP-CBS Ind	139.7	138.2	113.7
NORWAY			
Oslo SE	283.81	283.23	199.51
SINGAPORE			
Straits Times	824.43	810.87	945.47
SOUTH AFRICA			
Golds	1,070.8	1,077.2	757.6
Industrials	969.0	960.4	892.0
SPAIN			
Madrid SE	144.76	144.45	124.73
SWEDEN			
J & P	1,333.66	1,322.22	1,472.46
SWITZERLAND			
Swiss Bank Ind	386.0	378.5	358.1
WORLD	Nov 23	Prev	Yearago
Capital Int'l	185.4	184.0	181.1

GOLD (per ounce)

	Nov 26	Prev
London	$337.00	$341.50
Frankfurt	$336.75	$341.75
Zürich	$337.25	$341.75
Paris (fixing)	$338.49	$342.20
Luxembourg (fixing)	$339.20	$341.75
New York (Nov)	$331.50	$340.00

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Nov 26	Previous	STERLING Nov 26	Previous
$	—	—	1.2001	1.219
DM	3.0601	3.029	3.6775	3.6975
Yen	246.01	245.2	295.5	299.0
FFr	9.375	9.2925	11.26	11.3125
SwFr	2.524	2.501	3.03	3.05
Guilder	3.449	3.4195	4.1425	4.16
Lira	1,893.0	1,879.5	2,273.0	2,280.5
BFr	61.5	61.1	74.0	74.3
C$	1.31905	1.3185	1.5832	1.606

INTEREST RATES

	Nov 26	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 13/16
SwFr	5⅝	5 3/16
DM	5 7/16	5⅝
FFr	11⅛	11⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅜	9⅜
6-month U.S.$	9⅝	9 11/16
U.S. Fed Funds	9⅛	9⅛
U.S. 3-month CDs	8.90	8.95
U.S. 3-month T-bills	8.48	8.46

U.S BONDS

Treasury		Nov 26 Price	Yield	Prev Price	Yield
11¾	1986	102 3/32	10.31	103	10.44
12⅝	1991	105 3/32	11.13	104 19/32	11.27
11¾	1994	102 13/32	11.22	100 29/32	11.52
11¼	2014	103 13/32	11.29	102 13/32	11.42
Corporate		**Nov 26 Price**	**Yield**	**Prev Price**	**Yield**
AT & T					
10⅜	June 1990	94⅝	11.70	94⅝	11.70
3⅞	July 1990	72	10.65	72	10.65
8¾	May 2000	75⅝	12.20	75⅝	12.20
Xerox					
10⅞	March 1993	92⅝	12.10	92⅝	12.10
Diamond Shamrock					
10⅞	May 1993	91	12.35	91	12.35
Federated Dept Stores					
10⅜	May 2013	86⅝	12.30	86⅝	12.30
Abbot Lab					
11.80	Feb 2013	93.60	12.60	93.60	12.60
Alcoa					
12⅛	Dec 2012	95⅝	12.80	95⅝	12.80

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	73-01	73-17	73-01	73-08
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	91.63	91.73	91.61	91.69
Certificates of Deposit (IMM) $1m points of 100%				
Dec	90.99	91.03	90.98	91.01
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	90.61	90.65	90.59	90.61
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109-12	109-21	109-05	109-12

COMMODITIES

(London)	Nov. 26	Prev
Silver (spot fixing)	618.75p	615.10p
Copper (cash)	£1,112.00	£1,127.50
Coffee (Nov)	£2,358.00	£2,390.00
Oil (spot Arabian Light)	$27.42	$27.55

SINGAPORE

Tentative revival attempted

A THIRD successive advance was recorded by Singapore stocks yesterday, but dealers and analysts doubted whether the rally marked a significant reversal of the downward drift seen in recent months, *writes Chris Sherwell in Singapore.*

At the close the Straits Times industrial index of 30 major companies had climbed 13.56 to 824.43. The index has recovered almost 40 points over the past three trading sessions from the 21-month lows seen last week.

Many dealers had expected a rally much sooner because the market had looked oversold for some time. But investment analysts pointed out that no fundamentals had changed and suggested that the market was undergoing a "technical bounce."

Analysts also said there was little buying interest by foreign institutions, which have tended to stay away from the Singapore and Malaysian markets recently.

Both speculative stocks and blue chips have benefited from the upward trend, although no particular sector has shown exceptional performance. Volume yesterday was 15.34m shares against a daily average of around 10m over the past two weeks.

Our financial staff adds: Consolidated Plantations gained 5 cents to S$2.65 following the agreement that it will acquire Dunlop's 51 per cent stake in Dunlop Malaysian Industries. Sime Derby, of which Consolidated Plantations is a subsidiary, shed 4 cents to S$1.88.

LONDON

EXPECTATIONS that the British Telecom floatation would be a resounding success were the motivating force for higher London stock market values yesterday. A survey from the Confederation of British Industry, confirming the Treasury's view of steady economic growth next year, also helped the mood.

The FT Industrial Ordinary index moved higher throughout the session, adding 11.8 to 922.1 – just short of its all-time record.

The weaker pound stemmed an advance in government securities, where early gains of up to ½ were trimmed back to around ¼.

Chief price changes, Page 36; Details, Page 37; Share information service, Pages 38-39

AUSTRALIA

LOWER world bullion prices undermined Sydney stocks leaving the All Ordinaries index down 4.7 at 765.6. The decline also reflected nervousness ahead of the federal election on Saturday.

Retailers were easier, with Coles and Myer each 7 cents lower at A$4.08 and A$1.66 respectively.

Media stocks were mixed, with HWT 14 cents lower at A$3.50 and Fairfax bonus delivery shares 16 cents ahead at A$6.16.

Elsewhere, IEL shed 26 cents to A$6.70 and its rights 45 cents to A$3.30.

SOUTH AFRICA

GOLD SHARES were mostly easier in thin Johannesburg trading, with a R2 decline recorded by Vaal Reefs at R185 and Libanon 50 cents easier at R46.50.

Other mining and financial issues were mostly lower where changed, taking De Beers down 10 cents to R8.35, although Gefco managed a 20-cent advance to R1.80.

Industrials were mixed to firmer. Barlow Rand put on 10 cents to R11.35.

CANADA

A BROAD slide in share values was seen in Toronto in low turnover, with the drift led by declines in resource-based issues. Of the major stock groups, only pipelines, utilities and consumer products managed gains. Montreal also eased in quiet trading.

EUROPE

Optimism hedged with caution

A UNIFORMLY higher outcome emerged on European bourses yesterday, in response to Friday's Wall Street surge and in anticipation of downward pressure on continental interest rates, but trading was seldom very busy, and an undertone of caution persisted.

The **Frankfurt** finish was below the day's best levels as market opinions diverged on the likelihood of an early cut in the official West Germany Lombard and discount rates, although good corporate reports provided some support.

Schering gained DM 6 to DM 406 on its profits forecast, while Conti-Gummi added DM 1.30 to DM 119 amid its press conference. Linde, offering a Eurobond with warrants exercisable at DM 362, put on DM 4.50 to DM 360.

A 20-pfg firmer close for Commerzbank at DM 177.20 exemplified a dull day for banks, also reflecting its cautious projection of maintained year's earnings.

A strong domestic bond market, where gains extended to 70 basis points, was buoyed by expectations of a new federal issue this week with a coupon as low as 7 per cent. The Bundesbank offloaded DM 19.8m in paper.

A similar course was followed by **Amsterdam** stocks, with an initial FL 5 gain for Unilever being trimmed to Fl 4.30 for a Fl 300.6 close. ABN, however, led the retail banks with a Fl 5.50 rise to Fl 342.50 but was none the less eclipsed by a Fl 6 jump in mortgage bank WUH to Fl 116.

Nedlloyd steadied at Fl 156.50 after last week's advance, losing an early gain of a guilder.

Bonds held firm ahead of today's tender for a 7½ per cent state loan.

A dip in **Paris** call money encouraged activity. Thomson-CSF added FFr 10.10 to FFr 378.90 and Peugeot FFr 5 to FFr 215, although Imetal slipped FFr 4.20 to FFr 78.60.

Strong **Milan** business brought rises of L26 for Fiat at L1,945, L150 for RAS at L55,500 and L61 in Pirelli SpA at L1,765. A high liquidity level benefited bond prices.

Banks did best in **Zurich**, where Baer rose SwFr 50 to reach SwFr 7,000, but the stronger dollar generally weighed down on proceedings, and the finish was mixed. Domestic bonds consolidated at last week's higher levels.

Fabrique Nationale responded strongly in **Brussels** to an Australian arms order, rising BFr 235 to BFr 2,295. Interest rate hopes aided a BFr 85 gain by cement maker CBR at BFr 2,525, while GBL firmed BFr 25 to BFr 2,150 amid its rights issue priced at BFr 1,825.

A cautious return of **Stockholm** institutional buying brought an earnings-inspired SKr 6 gain for Volvo at SKr 202, while Ericsson moved up SKr 3 to SKr 275 despite its apparent arrival on an earnings plateau. Swedish Match dipped SKr 6 to SKr 252 as the Wallenberg group increased its stake.

Food issues led **Madrid** higher, drawing benefit from a heightened foreign profile.

HONG KONG

Foreign buyers aid firmness

STRONG demand from domestic and foreign buyers gave a further fillip to Hong Kong, taking shares to their highest level since mid-April. The Hang Seng index added 17.92, breaking through the 1,100 level to end at 1,113.96.

The advance began last Tuesday, and many analysts now believe the index will test the 1984 high of 1,170.35 before the end of the year and could then climb beyond 1,200 early in 1965.

Lower world interest rates together with Wall Street's performance on Friday helped spur yesterday's performance.

Active support was also derived from a market rumour that Jardine Matheson might be the target of a European buy-out effort. Jardine shares advanced 50 cents to HK$16.75, although the rumours were denied by groups tipped as potential bidders.

TOKYO

Extent of fall proves a surprise

AN UNCERTAIN market environment kept investors on the sidelines in Tokyo yesterday and led to an unexpectedly large drop in share prices, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average of 225 select issues slipped below 11,200 in dull trading, closing at 11,162.96 for a fall of 74.44 from Saturday. Volume shrank sharply to 255.2m shares from the 307.5m traded on Thursday, the previous full trading day. Losses outpaced gains 419 to 245, with 173 issues unchanged.

Investors remained cautious because of low volume on Wall Street last Friday, despite a sharp rise in blue chips, and because of the record margin buying balance on Japan's stock exchanges. But yesterday's drop far exceeded most traders' expectations. Leading brokerage houses said they could not explain its extent but were hoping for active trading from tomorrow, when transactions for delivery in December begin.

Having finished a month-long series of selective buying of incentive-backed issues, brokers are now focusing on stocks related to optical communications in order to push up the market toward the year-end. However, prospects seem less than bullish as investors are apparently not ready for a buying spree.

In the circumstances, yesterday's activity centred on spot-traded stocks and on low and medium-priced incentive-backed issues. Volume leader was Nippon Express with 12.39m shares changing hands, up Y9 to Y346.

Blue chips were mostly neglected. NEC added Y10 to Y1,240, but TDK slid Y140 to Y4,850 and Kyocera Y150 to Y7,210.

Although the yen declined below Y246 to the dollar in Tokyo at one stage, bond prices were firm, reflecting expectations for a further drop in U.S. interest rates. The benchmark 7.3 per cent government bond maturing in December 1993 traded at a yield of 6.660 per cent, compared with Saturday's 6.670 per cent.

As the prices of all listed long-term government bonds had gone above par, trust banks and corporations shifted their attention to Y99 par long-term government bonds to be issued next month at a coupon rate of 6.8 per cent. Subscription offers carried a premium of Y0.50.

Prices at 3pm, November 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 35

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Prev. Close	Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 36

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Prev. Close	Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 36

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Nov. 26	Price Sch.	+ or —
Creditanstalt	236	—1
Goesser	330	-2
Interunfall	391	
Laenderbank	203	
Perlmooser	350	-3
Steyr-Daimler	160	—1
Veitscher Mag.	244	-5

We regret latest Austrian prices were not available due to a technical fault.

BELGIUM/LUXEMBOURG

Nov. 26	Price Frs.	+ or —
B.B.L.	1,810	
Banq. Int. A. Lux	5,475	
Bekaert B.	4,400	-100
Ciment CBR	2,525	-85
Cockerill	294	-1
Delhaize	5,790	-40
EBES	2,820	-15
Electrobel	8,500	
Fabrique Nat	2,295	-235
GB Inno BM	3,080	-20
GBL (Brux)	2,150	-35
Gevaert	3,690	-90
Hoboken	6,070	-50
Intercom	2,165	-25
Kredietbank	7,500	-150
Pan Hldgs.	9,900	-50
Petrofina	7,140	-90
Royale Belge	10,200	
Soc. Gen. Banq	5,250	-45
Soc. Gen. Belge	1,795	
Sofina	7,820	-70
Solvay	4,170	-80
Stanwick Intl.	1,430	
Tractionel	3,895	
UCB	4,840	-10
Vieille Montagne / Wagon Lits	2,490	-90

DENMARK

Nov. 26	Price Kr. %	+ or —
Andelsbanken	267	-5
Baltic Skand	560	-10
CopHandelsbank	273	-6
D. Sukkerfab	630	
Danske Bank	271	+6
De Danske Luft.	1,095	+50
East Asiatic	163	-6
Forenede Brygg.	740	
Forenede Damp.	201	+2
GNT Hldg	373	-9
I.S.S.B.	424	-24
Jyske Bank	505	+10
Novo Ind.	1,390	-30
Privatbanken	243	+6
Provinsbanken	339	+9
Smidth (F)	230	+5
Sophus Berend	875	
Superfos	415	6

FRANCE

Nov. 26	Price Frs.	+ or —
Emprunt 4½% 1973	1,681	-4
Emprunt 7% 1973	9,045	-4
Accor	242	-2.5
Air Liquide	556	+5
BIC	507	-3
Bongrain	1,740	
Bouygues	680	-20
BSN Gervais	2,555	+7
CIT Alcatel	1,358	+13
Carrefour	1,840	-6
Club Mediter'n	2,077	-2
Cie Bancaire	592	+4
Cofimeg	234	-2.5
Damart	2,290	
Darty	1,194	+4
Dumez S.A.	646	-2
Eaux (Cie Gen)	538	+9
Elf-Aquitaine	224.5	—2.5
Essilor	2,864	-14
Gen. Occidentale	690	+2
Imetal	78.8	-4.2
Lafarge Coppee	381	-3
L'Oreal	2,468	-2
Legrand	1,905	+22
Maisons Phenix	198	+4
Matra S.A.	2,682	+5
Michelin B	790	-6
Midi (Cie)	1,970	+25
Moet Hennessy	1,853	-13
Moulinex	94.7	-0.8
Nord Est	71.8	-0.4
Pernod Ricard	744	-4
Perrier	493	-1
Petroles Fra.	241	-3
[illegible]	[illegible]	[illegible]

GERMANY

Nov. 26	Price Dm.	+ or —
AEG-Telef.	107.8	-0.3
Allianz Vers.	1,031	-1
BASF	173.7	-2.2
Bayer	185	-2.2
Bayer Hypo	321	-5
Bayer Verein	331.5	+2.5
BHF Bank	282	-3
BMW	376	-0.5
Brown Boveri	203	-2.2
Commerzbank	177.2	-0.2
Cont'l. Gummi	119	-1.3
Daimler-Benz	568	
Degussa	364	+0.2
D'sche Babcock	152.8	+3.3
Deutsche Bank	381	-0.4
Dresdner Bank	189.4	-0.4
GHH	154	+2
Hochtief	470	
Hoechst	181.9	-2.4
Hoesch Werke	101.8	—1
Holzmann (P)	364	-12
Horten	185	-1
Hussel	293	-2
Karstadt	249.4	+0.3
Kaufhof	232	-2
KHD	245.8	-0.2
Kloeckner	71.7	+0.7
Linde	360	+4.5
Lufthansa	117.5	+1
MAN	148.2	+0.7
Mannesmann	149	-0.4
Mercedes Hld.	494.5	-5
Metallgesell	215.8	+0.8
Muench Rueck	1200	
Nixdorf	532.5	—0.7
Porsche	1037	-22
Preussag	256	-2
Rhein West Elect	166.9	-0.9
Rosenthal	251	
Schering	406	+8
Siemens	459.7	-2.2
Thyssen	81	—0.3
Varta	181	+2
Veba	172.5	+1.6
V.E.W.	123.8	-1
Verein-West	295	
Volkswagen	197.4	-1.7

ITALY

Nov. 26	Price Lira	+ or —
Banca Com'le	15,550	-100
Bastogi IRBS	112.75	-2.5
Centrale	2,195	+28
Credito Varesino	3,851	+21
Fiat	1,945	+26
Finsider	45.75	
Generali Assicur.	32,510	-970
Invest	2,920	—50
Italcementi	64,950	+955
La Rinascente	502	-5
Montedison	1232	+13
Olivetti	5,980	+30
Pirelli Co.	3,160	+28
Pirelli Spa	1,765	+61
Snia BPD	2,991	+36
Toro Assic.	12,010	-325
do. Pref	8,799	+239
[illegible]	[illegible]	[illegible]

NETHERLANDS

Nov. 26	Price Fls	+ or —
ACF Holding	189.5	+1.5
AEGON	133.5	-1
Ahold	180	+3
AKZO	96.7	+1.2
ABN	342.5	+5.5
AMEV	196.4	+3.6
AMRO	64.2	
Bredero Cert.	161.5	-1.5
Bos Kalis Westm.	16	—0.2
Buehrmann-Tet	68.7	-0.7
Calland Hldgs.	31	
Dordtsche Pet'm	153	+1.4
Elsevier-NDU	116.5	-5.5
Fokker	72.5	+1.7
Gist Brocades	159.8	+2.1
Heineken	141.7	+3.2
Hoogovens	64	-1.1
Int Mueller	37	-0.5
KLM	43.4xc	+1.2
Naarden	44.7	-1.2
Nat Ned Cert	241.2	+0.2
Ned Mid Bank	145.7	-1.7
Nedlloyd	158.5	
Oce Grinten	274	+1
Ommeren (Van)	28.2	-0.1
Pakhoed	65.2	+0.9
[illegible]	[illegible]	[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Nov. 26	Price Kroner	+ or —
Bergens Bank	150.5	-8
Borregaard	510.5	-2.5
Christiania Bank	155	—1
DenNorske Cred	160	—1
Elkem	122	+2
Kvaerner	175	+2
Norsk Data	272.5	-1.5
Norsk Hydro	118xn	-0.5
Storebrand	197	

SPAIN

Nov. 26	Price Pts %	+ or —
Bco Bilbao	318	
Bco Central	331	-1
Bco Exterior	203	
Bco Hispano	222	
Bco Popular	391	-3
Bco Santander	332	+1
Dragados	163	+0.8
Hidrola	77.7	
Iberduero	86	-1.7
Petroleos	150	-6
Telefonica	94.7	-0.2

SWEDEN

Nov. 26	Price Kronor	+ or —
AGA	330	
Alfa Laval	179	-2
ASEA (Free)	360	-2
Astra (Free)	300	
Atlas Copco	97	+0.5
Cardo (Free)	311	+6
Cellulosa	124	
Electrolux B	222	-4
Ericsson	275	-3
Esselte	258	
Mo Och Domsjo	253	-2
Pharmacia	177	-2
Saab Scania Free	450	
Sandvik	350	
Skandia	306	+8
Skan Enskilda	54	
SKF	158	+4
St Kopparbergs	147	+2
Sven Handelsbn	180	
Swedish Match	252	-6
Volvo B (Free)	202	+6

SWITZERLAND

Nov. 26	Price Frs.	+ or —
Alusuisse	746	+1
Bank Leu	3,700	-25
Brown Boveri	1,345	-5
Ciba Geigy	2,460	
do. (Part Certs)	1,965	+10
Credit Suisse	2,290	
Elektrowatt	2,500	
Fischer (Geo.)	605	+4
Hoff-RochePtCts	88,375	+375
Hoff-Roche 1/10	8,850	+26
Jacobs Suchard	6,100	
Jelmoli	1,900	+10
Landis & Gyr	1,525	-5
Nestle	5,285	+15
Oer-Buehrle	2,320	-5
Pirelli	248	-1
Sandoz (Br)	7,000	+100
Sandoz (PtCts)	1,135	+5
Schindler (PtCts)	635	+5
Sika	1,040	
Surveillance	3,650	-30
Swissair	1,020	+10
Swiss Bank	352	
Swiss Reinsce.	7,650	-75
Swiss Volksbk.	1,460	—5
Union Bank	3,500	+20
Winterthur	3,260	
Zurich Ins.	17,750	+50

AUSTRALIA

Nov. 26	Price Aust $	+ or —
ANZ Group	5.26	-0.02
Alliance Oil Dev.	1.05	
Ampol Pet.	1.81	+0.01
Ashton	0.84	
Aust Cons Ind.	1.83	-0.02
Aust. Guarantee	2.85	-0.05
Aust. Nat. Inds	2.56	+0.01
Aust. Paper	2.25	-0.02
Bell Group	6.7	
Bell Res.	4.95	-0.05
Bond Corp Hldgs	1.68	+0.01
Boral	3.22	-0.08
Bougainville	1.83	-0.05
Brambles Inds.	8.4	-0.1
Bridge Oil	2.57	-0.08
B.H. Prop.	10.75	-0.05
CRA	5.24	
CSR	3.06	-0.02
Carlton Utd.	4.30	
Castlemaine Tys.	5.02	
Coles (G.J.)	4.08	-0.07
Comalco "A"	2.45	-0.05
Consolidated Pet	0.58	
Costain Aust	1.4	
Dunlop Aust.	1.86	
Elders IXL	3.5xc	-0.03
Energ. Res.	1.47	+0.02

AUSTRALIA (continued)

Nov. 26	Price Aust $	+ or —
[illegible]	[illegible]	[illegible]

HONG KONG

Nov. 26	Price H.K.$	+ or —
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Nov. 26	Price Yen	+ or —
[illegible]	[illegible]	[illegible]

JAPAN

Nov. 26	Price Yen	+ or —
[illegible]	[illegible]	[illegible]

SINGAPORE

Nov. 26	Price $	+ or —
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Nov. 26	Price Rand	+ or —
[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 44

CANADA

TORONTO

Closing prices November 26

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices November 26

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICAN CLOSING

Continued from Page 35

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK

Continued from Page 35

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MARKET REPORT

British Telecom optimism takes equity leaders higher

Index closes 11.8 up at 922.1

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 12	Nov 22	Nov 23	Dec 3
Nov 26	Dec 6	Dec 7	Dec 17
Dec 10	Dec 20	Dec 21	Jan 7

* "New-time" dealings may take place from 8.30 am two business days earlier.

Widespread publicity about British Telecom and the inevitable conclusion that the issue will be a resounding success was the motivating force for higher London stock market values yesterday. Wall Street's upsurge last Friday contributed in market optimism over a huge subscription for BT and a sizeable premium on the partly-paid issue price (50p) when dealings begin next Monday.

Private investors, having committed their funds to the issue were generally inactive, but institutional operators had cash to spare and concentrated on a range of leading shares. Sterling's weakness, against both the dollar and the mark, generated demand for stocks favoured by U.S. investors, while buying also developed of situation issues and shares tipped in the weekend Press columns. The Oil majors lagged behind, but the continuing uncertainty of the sector failed to halt the advance in equities.

The CBI survey confirming the Treasury's view of steady economic growth next year also found reflection in sentiment. The FT Industrial Ordinary share index progressed throughout the session, finally stopping just short of the all-time record; it closed 11.8 up at 922.1.

Government securities participated in the advance before turning back when the pound eased below $1.20 against the dollar in the early afternoon. Gains ranging to ½, and occasionally more, were eventually trimmed to ⅛ or so following a slightly disappointing opening trend in the U.S. bond market. Although the American market recovered later on news of Prime lending rate reductions to 11¼ per cent, Gilt-edged stocks merely maintained their levels.

A weekend television programme suggesting a possible settlement of outstanding Chinese debts touched off revived support of that country's bonds. The 5 per cent 1913, at £18, and 5 per cent 1925 Boxer, at £13, both gained two points to peaks for the year.

Having dominated Insurances throughout the previous week, Lloyd's brokers remained in the driving seat. Still drawing strength from a broker's recommendation together with C. E. Heath's recent impressive interim profits and the sector's considerable dollar earnings potential, prices moved higher from the outset. Willis Faber closed 10 better at 523p and Sedgwick 8 up at 307p, while Stewart Wrightson appreciated 7 to 437p. C. E. Heath added 6 more at 510p xd and FWS International put on 5 to 365p. Composites were enlivened by Press comment and Royals added 8 more to 533p. General Accident gained 10 to 520p and Commercial Union retrieved 4 more at 171p.

Clearing banks began the new Account quietly firm. NatWest moved up 12 to 562p and Barclays gained 8 at 518p. Elsewhere, Far Eastern influences prompted a rise of 5 to 77p in Hong Kong and Shanghai.

Among recently-issued equities, plastic sheet manufacturer Wardle Storey attracted fresh support and rose 4 to 170p, while USM-quoted Access Satellite, which staged a successful market debut on Friday, gained 7 to 192p, after 195p. Buyers also favoured Gabicci, up 8 at 98p.

Breweries gave a quietly firm performance. Allied Lyons, awaiting today's interim results, hardened 2 to 169p, after 170p. Leading Buildings attracted early support and Tarmac rose 10 to 510p, while RMC improved 4 to 404p. BPB Industries, a dull counter on Friday, rallied 5 to 295p awaiting tomorrow's interim results, while Redland, half-timer due on Thursday, hardened a couple of pence to 294p. Elsewhere, revived speculative demand lifted housebuilders William Leech 7 to 127p.

A combination of currency and Wall Street influences helped ICI rise 12 to 666p. Laporte firmed 4 to 365p.

Dunhill pleases

Secondary issues provided the main movements in Stores. Dunhill responded to the increased interim profits with a rise of 12 to 230p. Superdrug, 400p, and House of Lerose, 104p, advanced 10 and 4 respectively following Press comment. Ratners improved a couple of pence to 50p on details of the acquisition of the Terrys Group of Jewellers, which has some 26 shops in London and the South East. Harris Queensway found support at 212p, up 12, while Currys put on 5 afresh to 519p and Dixons firmed 5 to 414p on the bid situation. Sumrie Clothes, a speculative market of late, dropped 9 to 53p on news of the increased interim deficit, while Selincourt fell 2½ to 10½p following adverse comment. Arthur Henriques gave up 4 to 76p; the interim results are scheduled for Friday.

Leading Retailers moved higher on hopes of bumper consumer spending over the Christmas period, but the volume of business was fairly moderate. Burton touched 400p before closing 5 to the good at 398p, while Habitat Mothercare hardened 2 to 388p; the latter's half-year figures are due on Thursday.

Recently-overlooked Electricals met with selective demand. Cable and Wireless, reflecting Press mention ahead of tomorrow's interim figures, advanced 10 to 380p. Goring Kerr were good at 395p, up 15, along with STC, a like amount dearer at 282p. International Signal, helped by acquisition news, improved 8 to 290p xd, while Volex responded to the interim figures with a rise of 5 to 120p. Among USM stocks, CML Microcomputers featured a rise of 30 to 270p, while Brikat rose 21 more to 258p xd. Telecomputing gained 15 to 315p following preliminary figures.

Engineers passed a relatively quiet session, although several noteworthy candidates emerged as the session progressed. TACE, reflecting firmness in Goring Kerr, rose 12 to 296p, while weekend comment on nationalisation compensation hopes left Yarrow 13 dearer at 340p xd. Vickers were 6 to the good at 192p. Redman Heenan rallied 3½ to 8p following the company's statement that its bankers remain supportive and negotiations are continuing with regard to improving the group's financial position. Among the leaders, TI revived with a rise of 4 to 234p.

Foods made an encouraging start to the new Account. Tate and Lyle attracted support and rose 7 to 435p, while Cadbury Schweppes firmed 3 to 156p on overseas earnings considerations. Late speculative demand boosted Rowntree Mackintosh 4 to 352p. Retailers made progress amid bumper Christmas spending hopes. Associated Dairies firmed 4 to 164p, while Tesco gained a like amount to 226p. On the takeover front, Cullens Ordinary and "A" both advanced 35, to 475p and 375p respectively, ahead of intimated revised terms from original bidders Watling (105). Elsewhere, buying ahead of Friday's interim results lifted Freshbake 5 to 106p, but further selling in the wake of adverse comment left Bio-Isolates down 5 more at 38p.

BAe on offer

Against the trend in a firm Hotels sector, Grand Metropolitan shed 5 to 300p; the annual results are due towards the end of next month. Trusthouse Forte rose 4 to 141p and Ladbroke gained the turn at 235p, while Prince of Wales Hotels, in receipt of a bid approach, gained 5 to 115p pending developments. London Park Hotels hardened 3 to 343p following Press mention.

British Aerospace, unsettled by fears that the company may lose out to French competition in obtaining a £1bn Saudi contract for the Tornado combat aircraft, fell to 348p before closing above the worst at 351p, down 11 on balance. Ferranti eased 6 to 170p, in sympathy. Helped by last Friday's sharp rally on Wall Street, selected leading miscellaneous industrials made progress. Bowater stood out with a gain of 7 to 194p, while BTR rose 9 to 545p and Glaxo put on ¼ to £10¼. Trafalgar House, helped by a brisk traded options demand, advanced 11 to 311p; the preliminary figures are expected shortly. Elsewhere, good interim figures left Erskine House 9 higher at 92p, while Hoskins and Horten improved 2 to 272p on the agreed counter-bid from London and Midland Industrials. F. H. Tomkins revived with a gain of 8 to 126p, but adverse newspaper comment left Centreway 5 cheaper at 25p. Fresh demand prompted a rise of 9 to 643p xd in Smiths Industries.

Piccadilly Radio continued to respond to the good annual results and confident statement, firming 2 more to 25½p, but the annual figures of Radio City (Sound of Merseyside) brought acute disappointment and the price fell 8 to 62p. Among other Leisure issues, Riley Leisure continued the strong rally and added 2 to 43p, after 46p; the board know of no reason for the recent surge in the price.

The chairman's confident statement in the annual report continued to attract buyers to Lucas Industries which followed Friday's rise of 11 with a fresh improvement of 7 at 278 xd, after 282p. Elsewhere in Motors, Jaguar added 6 to 216p and Group Lotus hardened 2 to 71p. Dunlop rose a penny to 28p following Friday's announcement that it is selling its 51 per cent interest in Dunlop Malaysian Industries to a Sime Darby subsidiary for £34.7m.

Link House, the Exchange and Mart publisher, featured Newspapers with a jump of 125 to 710p, after 730p, in response to the surprise agreed £82m bid from United Newspapers; the latter plummeted to 288p on the announcement before closing 13 lower on balance at 295p. Among Paper/Printings, East Lancashire hardened a penny to 94p following British Syphon's increased offer of 96p per share; G. M. Firth also announced it had increased its stake in E.L. to 12.66 per cent. James Cropper, on the other hand, gave up 4 to 111p following the disappointing interim results.

Among Properties, bid speculation lifted Stock Conversion 21 to a 1984 peak of 403p, while better-than-expected interim results left Sterling Guarantee 4½ higher at 63p. MEPC were a shade dearer at 326p awaiting tomorrow's annual figures.

Courtaulds hardened a couple of pence to 122p awaiting today's interim figures. Dawson International firmed 4 to 260p in sympathy, while revived speculative support lifted S. Lyles 5 to 73p. Elsewhere, Sekers International rose 2½ to 31½p following the increased interim dividend and profits.

Persistent demand for Tobaccos, particularly after-hours, found dealers short of stock and price gains were exacerbated; Bats rose 25 to 302p with sentiment boosted by comment in The Financial Times. Publicity given to a broker's circular lifted Imperial Group 7 to 173p, while Rothmans International, a nervous market of late, attracted occasional support in front of today's half-timer and closed 8 up at 153p.

Oils quiet

The Oil majors remained wary about the recent downward pressure on spot prices. The leaders went better initially, but later drifted back in the absence of follow-through support amid fears that crude prices may fall further. British Petroleum opened higher at 488p but subsequently slipped back to close 3 cheaper on balance at 482p. Shell closed 5 dearer at 620p, after 623p, but Ultramar retained a gain of 4 to 226p. LASMO moved up 8 to 358p on revived takeover speculation. Among Irish exploration issues, Oliver Prospecting came under selling pressure following comment on the prospects for its Celtic Sea wildcat well and the price dropped to 170p prior to closing a net 20 down at 190p.

Mines subdued

Mining markets began the new Account in the same tired mood as the previous period finished. Once again, currency fluctuations continued to dominate investors' thoughts and South African Golds, plus related issues, consequently drifted from the outset on another dull showing by bullion which closed $4.5 lower at $337 an ounce.

Cape investment incentive was hindered and, with Continental sources again reluctant to commit funds, share prices quickly gave ground. In sterling terms, however, quotations benefited from the currency's weakness against the dollar and the FT Gold Mines index, calculated in sterling, firmed 0.6 to 576.8—its fourth consecutive gain.

Gains among the heavyweight Golds extended to ¼, as in Randfontein, £99⅞, Southvaal, £40½, and Western Deep, £38, hardened ⅛ apiece.

A similar pattern emerged among South African Financials with "Amgold" gaining just over a point to £78. London-domiciled Financials bucked the trend in bullion and displayed modest gains, RTZ firmed 5 to 627p, while Charter rallied 3 more to 208p.

Australia Mines drifted gently lower, CRA, 368p, and MIM Holdings, 185p, gave up 4 apiece. Bougainville shed a few pence to 128p; the strike which started on November 12 has halted production at the mine in Papua New Guinea. Golds were generally resilient to weaker international bullion, and only Gold Mines of Kalgoorlie, 3 off at 465p, showed any noteworthy movement. Among more speculative counters, Meekatharra remained lively with an improvement of 5 at 97p.

Demand for Traded Options improved substantially and total contracts struck amounted to 4,701. The strength of the underlying security stimulated support of Bats positions which attracted 77y calls, 313 done in the February 260's which spurted 27 to 52p. Imperial Group attracted 155 calls and 602 puts, 450 of the latter struck in the February 160's. Jaguar returned to favour with 631 calls traded, 219 in the December 160's, 7 up at 50p, and 311 in the December 200's, 4 better at 19p.

FINANCIAL TIMES STOCK INDICES

	Nov. 26	Nov. 23	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Year ago
Government Secs.	83.06	82.94	82.81	82.62	83.04	83.14	83.02
Fixed Interest	86.08	86.02	86.12	86.04	86.28	86.34	86.00
Industrial Ord.	922.1	910.3	909.2	918.7	912.2	919.1	745.9
Gold Mines	576.8	576.8	372.5	567.2	561.0	661.6	667.1
Ord. Div. Yield	4.63	4.69	4.69	4.64	4.68	4.66	4.63
Earnings, Yld. % (full)	11.28	11.29	11.29	11.12	11.26	11.19	9.49
P/E Ratio (net) (*)	10.60	10.61	10.61	10.72	10.64	10.71	18.86
Total bargains (Est.)	19,818	21,880	19,226	26,240	60,199	30,111	21,732
Equity turnover £m.	—	279.41	213.62	210.75	912.36	244.04	237.70
Equity bargains	—	18,375	16,724	15,530	16,415	16,435	16,861
Shares traded (ml)	—	162.4	164.3	148.7	120.6	125.8	151.8

10 am 915.6. 11 am 919.1. Noon 916.4. 1 pm 920.0.
2 pm 919.6. 3 pm 920.4.
Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Industrial 1/7/35.
Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil=10.19.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1)	75.78 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/5)	80.45 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	924.3 (11/11)	755.3 (23/7)	924.3 (15/11/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	485.7 (1/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Nov. 23	Nov. 22
Daily Gilt Edged Bargains	156.6	150.6
Equities Bargains	118.1	108.4
Value	564.8	633.9
5-day Average Gilt Edged Bargains	151.5	161.2
Equities Bargains	105.6	102.0
Value	632.3	664.4

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (139)

FOREIGN BONDS (3)
AMERICANS (14)
CANADIANS (5)
BANKS (2)
BREWERS (1)
BUILDINGS (3)
STORES (7)
ELECTRICALS (10)
ENGINEERING (7)
FOODS (7)
HOTELS (3)
INDUSTRIALS (21)
INSURANCE (7)
LEISURE (5)
MOTORS (1)
NEWSPAPERS (3)
PAPER (3)
PROPERTY (7)
TEXTILES (3)
TOBACCOS (1)
TRUSTS (11)
OILS (2)
MINES (12)

NEW LOWS (22)

BANKS (2)
Bank of Ireland Minson Finance
BUILDINGS (1)
STORES (1)
ELECTRICALS (5)
Cass Group, HB Electronic, Lec Refrigeration, Resource Technology, Systems Reliability
FOODS (1)
Blue Bird Confectionery
INDUSTRIALS (2)
Central Sheerwood, Centreway Inds.
LEISURE (2)
Entertainment Prod., Ryan City A, Insight
PAPER (1)
TEXTILES (1)
TRUSTS (3)
Baillie Gifford Tech, Centreway Trust, Fleetech
OILS (2)
Energy Sources, Petrogen Petroleum

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 26 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri Nov 23 Index No.	Thur Nov 22 Index No.	Wed Nov 21 Index No.	Tues Nov 20 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205)	547.13	+1.1	9.44	3.60	13.28	541.13	542.42	543.12	540.93	454.61
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (63)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (190)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (739)	554.97	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index No.	Day's Change	Day's High	Day's Low						
FT-SE 100 SHARE INDEX	1172.3	+13.5	1172.3	1163.8		1158.8	1158.2	1166.8	1159.1	

FIXED INTEREST

PRICE INDICES	Mon Nov 26	Day's change %	Fri Nov 23	xd adj. today	xd adj. 1984 to date
British Government					
1 5 years	118.65	-0.05	118.78	0.06	10.59
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Preference	77.48	+0.18	77.41	0.07	6.38

AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 26	Fri Nov 23	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.37	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
11 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12	15 years	[illegible]	[illegible]	[illegible]
13	25 years	[illegible]	[illegible]	[illegible]
14 Preference		12.71	12.69	12.22

BRITISH GOVERNMENT INDEX-LINKED STOCKS								
8 All stocks	108.72	+0.23	108.47	—	2.46	15 Inflation rate 5%	3.38	3.48
						16 Inflation rate 10%	3.18	3.21

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$340	—	—	—	—	50	30	$337.50
GOLD C	$350	138	8.10	1	16	—	—	
GOLD C	$375	172	3	13	7.80	—	—	
GOLD C	$400	10	1.20	—	—	—	—	
GOLD P	$320	—	—	—	—	97	4.50 B	
GOLD P	$360	63	13.50	—	—	—	—	
SILVER C / $FL C / $FL P, ABN, AKZO, AMRO, GIST, HEIN, HOOG, KLM, NEDL, NATN, NN, PETR, PHIL, RD, UNIL series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 18,218
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or -	Net Div.	Times covered	Gross Yield	P/E Ratio
‡‡	F.P.	—	110	108	‡‡Aberdeen Am Pet £1	110					
‡160	F.P.	—	192	164	+Access Satellite 5p	192	+7	[illegible]	[illegible]	[illegible]	[illegible]
116	F.P.	6/1	178	136	+Addison Comms. 2p	178	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	+Alida	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
87	F.P.	22/11	23	85	Appledore A&P 10p	88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	110	102	+Breakmate 10p	102	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
105	F.P.	[illegible]	135	116	+CVD Inc	128	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
116	F.P.	[illegible]	166	134	+Craton Lodge 1p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	[illegible]	120	100	Comin'n Int. High Inc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	23	15	Do. Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
178	F.P.	14.12	98	84	+Gabeel 5p	98	+8	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	31	24	+Health Care S'rvic's	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
210	F.P.	16/11	258	304	Iceland Frozen F. 10p	255	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
146	F.P.	7/12	180	160	+Insiam 10p	173	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
83	F.P.	21/12	113	85	+Klark Teknik 5p	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
117	F.P.	25/11	147	118	+Media Technology 20p	146	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	11/1	32	27	+Monument Oil 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
140	F.P.	21/12	153	149	P.S.M. Int'l	153	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	F.P.	14/12	82	74	+Plasmec 10p	78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	F.P.	16/11	11½	10	Second Market Inv 5p	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
140	F.P.	[illegible]	190	184	+Sherwood Bras 10p	190	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90	F.P.	[illegible]	116	96	+T. & S. Stores 5p	116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
111	F.P.	[illegible]	175	113	+UDO Hldgs 10p	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
132	F.P.	—	170	156	Wardle Storeys 10p	170	+4	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	[illegible]	[illegible]	Wessanen Kon. 0FL50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or -
‡‡	F.P.	—	107	107	Aberfoyle 8% Cnv. Uns. Ln. '95	107	
91.574	£30	[illegible]	[illegible]	[illegible]	African Dev. Bank 11½% Ln. 2010	[illegible]	[illegible]
‡‡	F.P.	[illegible]	[illegible]	[illegible]	Elswick-Hopper 8% Cv. Cum. Pf. '92-'94	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Estate Prop. Inv. 10% Cnv. 94	[illegible]	[illegible]
100	£10	[illegible]	[illegible]	[illegible]	Folkestone Water 11½% Red. Deb. 2004	[illegible]	[illegible]
‡‡	F.P.	[illegible]	[illegible]	[illegible]	Gable Hse. Prop. Cnv. Uns. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Int. Bk. for Recon. & Dev.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lon. Shop Prop. 1st Mort. Deb. 2010	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marley Deb. 2009	[illegible]	[illegible]
—	F.P.	[illegible]	[illegible]	[illegible]	Nationwide Bldg. Soc.	[illegible]	[illegible]
‡‡	F.P.	[illegible]	[illegible]	[illegible]	Normans Grp. Cnv. Uns. Ln.	[illegible]	[illegible]
‡‡	F.P.	[illegible]	56	53	Peel 10% Cum. Pref. 50p	[illegible]	[illegible]
‡‡	F.P.	[illegible]	[illegible]	[illegible]	Plant & Gen. 8% Cnv. Uns. Ln. 1999	[illegible]	[illegible]
‡‡	F.P.	[illegible]	[illegible]	[illegible]	Racal Elect. Cnv. Uns. Ln.	[illegible]	[illegible]
100	£10	[illegible]	[illegible]	[illegible]	Sun'ld & Sth. Shields Deb. 2005	[illegible]	[illegible]
21.971	£20	[illegible]	23	18	Sweden Ln. 2012	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+ or -
3	Nil	—	1pm	1pm	Amalgamated Estates 5p	1pm	
80	F.P.	16/11	83	80½	Attwoods	81	[illegible]
38	F.P.	12/11	49	42	Boyds (Charles) 10p	[illegible]	[illegible]
100	F.P.	15/12	110	104½	Cambrian & General	[illegible]	[illegible]
210	F.P.	—	246	233	Do. Cap 7'p.	[illegible]	[illegible]
240	F.P.	16/11	325	283	CASE 20p	314	[illegible]
30	Nil	—	[illegible]	[illegible]	Jacks (Wm.)	[illegible]	[illegible]
206	F.P.	7/12	219	202	Sovereign Oil	[illegible]	[illegible]
205	Nil	[illegible]	[illegible]	[illegible]	Television Services 50p	[illegible]	[illegible]
170	Nil	6/11	105pm	70pm	Tops Ests. 10p	105pm	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates. H Dividend and yield based on prospectus or other official estimates. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‡‡ Introduction. ◆ Unlisted Securities Market. ‡ Placing price. † Figures assumed. †† Official London Listing. ‡ Dealt in under Rule 535(3).

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov 19	Nov 30	Feb 21	Mar 4
Dec 3	Dec 14	Mar 7	Mar 18
Dec 17	Jan 4	Mar 21	Apr 1

For rate indications see end of Share Information Service

Stocks favoured for the call included Birmid Qualcast, DRG, Churchill, Polly Peck, Otter Exploration, Federated Housing, Riley Leisure, Aran Energy, Raybeck, Charterhall, Bairstow Eves, Gestetner A, Marley, Al Industrial Products, Carpets International and Combined Technologies. No puts were reported, but a double was transacted in Combined Technologies.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bowater Inds	194	+7
[illegible]	[illegible]	[illegible]
BP	482	-3
ICI	666	+12
Jaguar	216	+6
Link House	710	+125
Leech (Wm)	127	+7
Lucas Inds	278	+7
MFI Furniture	[illegible]	[illegible]
Stock Conversion	403	+21
Tomkins (F. H.)	126	+8
United Newspapers	[illegible]	[illegible]
Volex	120	+5

ACTIVE STOCKS FRIDAY'S

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
LASMO	20	350	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
BP	17	485	[illegible]
Polly Peck	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Stylo	[illegible]	[illegible]	[illegible]
Birmid Qualcast	[illegible]	[illegible]	[illegible]
Burmah Oil	[illegible]	[illegible]	[illegible]
Strong & Fisher	[illegible]	[illegible]	[illegible]
Cliva Discount	[illegible]	[illegible]	[illegible]
Hanson Trust	[illegible]	[illegible]	[illegible]
Marley	[illegible]	[illegible]	[illegible]
Shell Trans	[illegible]	[illegible]	[illegible]
Ultramar	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	25	12
Corpns. Dom. and Foreign Bonds	23	17	36
Industrials	481	213	[illegible]
Financial and Props.	182	63	297
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	135	4	[illegible]
Totals	995	371	1,283

LONDON TRADED OPTIONS

Option	Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
B.P. (*486)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*504)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*121)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*171)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*226)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*298)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*662)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. (*303)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*122)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*620)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar Hs. (*308)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Imperial Gp. (*175)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*358)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*150)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*300)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*278)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*627)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$102)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds. (*286)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*517)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Dec.	Calls Mar.	Calls June	Puts Dec.	Puts Mar.	Puts June
Beecham (*355)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*138)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$4.67)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guest Keen (*184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*271)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*218)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*226)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index (*1171)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Nov. 26. Total Contracts 4,701. Calls 2,947. Puts 1,754.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
30	20	Martin-Black	22p	.....	—	—	—	—
£108	187	Mathesons 7¼%	189	.....	Q7¼%	2.3	9.0	—
378	287	Metal Box £1	330xd	−2	†15.0	3.2	6.3	5.4
220	129	Metal Closures	160	−2	6.3	2.5	5.6	(8.9)
27	12	Metal Sciences 2½p	12	.....	—	—	—	—
19	8	Metamec Jentique	9	+½	0.01	—	—	—
133	83	Midland Marts	93xd	+1	4.0	1.8	6.1	11.8
70	45	Mitchell Cotts	68xd	+½	4.0	2.5	8.4	9.7
29	13	Molten Grp 1p	15	.....	†d0.5	2.5	4.8	(9.5)
170	132	Morgan Crucible	169	+1	†7.5	1.2	6.3	(17.1)
18½	13½	Morris (W) Fine Arts	15½	.....	bg0.25	4.0	2.3	14.2
110	00	Moss (Robt.) 10p	102xd	+1	†2.5	2.9	3.5	12.4
330	197	NMW Computers	270	.....	6.0	3.0	3.2	15.1
65	40	Nash Inds.	46	.....	4.0	2.2	12.7	5.2
47	30	Neil & Spencer 10p	38	+1	—	—	—	16.4
33	13	Newman Industries	20	+1	—	—	—	(11.3)
31	16½	Do. 10pc Cnv.Cnv.Pf.	21	.....	10%	—	6.8	—
67	43	Nolton	44xd	+½	1.5	♦	5.6	♦
183	132	Nortros	173	.....	7.5	2.4	6.2	9.1
86	58	Nu-Swift 5p	59	.....	—	3.2	—	7.7
100	50	Oakwood Grp.	78	.....	‡d6.5	—	‡	—
190	138	Office & Elect.	138	.....	5.24	4.2	5.4	6.3
102	92	Oldacre 20p	99	.....	‡4.0	2.6	5.8	8.0
875	650	Oriflame Intl SA	650	.....	†Q53c	2.2	6.8	6.7
46	21	Overstone 12½c	21	−2	‡Q4.5c	2.2	‡	4.8
£152½	£120	Ozalid 9pc Cnv 87-92	£153½	+½	Q9%	—	6.1	—
190	120	PCT Grp 10p	120	.....	‡4.8	2.9	5.6	7.3
£12½	975	PLM 'B' Sk 25	£11¼	+¼	Q20%	3.2	4.1	7.6

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

[illegible]

"Recent Issues" and "Rights" Page 35

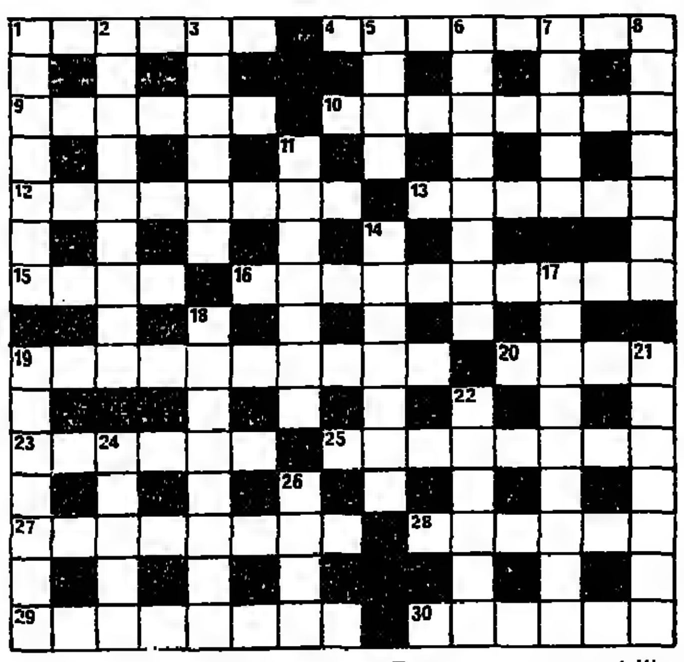
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,580



ACROSS

1 Humble Chinese pan returns to the West (6)
4 Intricate carpentry that's a product of worry ? (8)
9 Is animal able to get a little to eat ? (6)
10 Patient's last in doctor's experiencing swimming effect ? (8)
12 A bleep or alternatively what's practicable (8)
13 Go in S.R. trains, Mister ! (6)
15 Condition returns twice for lady (4)
16 Decided and declared (10)
19 Was proud, like one on stilts (6, 4)
20 and 25 It's difficult for beginners in morass upon swamps (4, 8)
23 Confines within these to some extent (6)
25 See 20
27 Worker got in front without hesitation (Stag may be) (8)
28 A cowardly evasion, policeman missing (3-3)
29 We hear you'll be confined in this season (8)
30 I'm after success everywhere (6)

DOWN

1 How to get match alight ? (4, 3)
2 Flow under ground ? That's great (9)
3 Annie could be, or Peter around home initially (6)
5 Hill-fort hart damaged (4)
6 Find a spell in the States (8)
7 Game seen in trouble here ! (5)
8 Surt colour related by blood (7)
11 Deity in London, say, for lucidity (7)
14 Innumerable, so finish fewer (7)
17 They are notable in Church (9)
18 Crude insect for English book is capable of sensation (8)
19 Rugger player with plenty of bounce (7)
21 Medical sign (7)
22 Fabric made from a fee ? No ! (6)
24 Where drivers stop (5)
26 Transaction rising or falling (4)

Solution to Puzzle No. 5,579

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Nom	Aer	Int Cr	Notice
Malinholl Ltd 36 Berkeley Sq. W1X 5DA. 01-099 6034				
M'hallMnyFD	9.120	9.443	Qtr	Call
The Money Market Trust 03 Qn Victoria St. SC0N 43T. 01-236 0952				
Call Fund	0.14	9.38	6mth	Call
7-day Fund	9.70	10.06	6mth	7-Day
Oppenheimer Money Management Ltd 60 Cannon St. 4C4N NAS. 01-236 1425				
Call Fund	8.02	8.11	6mth	Call
7-Day Fund	9.05	9.08	6mth	7-day
MnyMngAc	8.873	9.175	3mth	Call
Dollar	7.65	7.83	6mth	2-day

Money Market Bank Accounts

	Nom	Aer	Int Cr	Notice
Aitken Hume 30 City Road. EC1Y 2AY. 01-638 6070				
TreasuryAcc	9.625	9.90	Qtr	Call
Mth Int Chq	9.025	10.06	Mth	Call
Bank of Scotland 38 Threadneedle St. 4C2P 24H. 01-628 8060				
Cheque Acc	0.43	9.87	Mth	Call
Barclays Prime Account PO Box 125, Northampton. 0604 252801				
High Int Chq	9.25	9.57	Qtr	Call
Britannia Grp of Investment Companies 28 Finsbury Circ. EC2M 5QL. 01-388 2777				
Cater Allen	9.50	9.925	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row. 4C4M 7DH. 01-248 3009				
Sterling	9.50	9.92	Mth	Call
U.S. Dollar	8.50	8.86	Mth	Call
German Marks	5.0	5.18	Mth	Call
Swiss Franc	2.0	2.05	Mth	Call
Japanese Yen	5.0	5.10	Mth	Call
Choulartons 30 Ashley Rd. Altrincham. Cheshire. WA1 2DW. 061-028 0011				
Cheque Acc	10.25	10.75	Mth	Call
Co-operative Bank 78-80 Cornhill EC3. 01-826 6543 Ext 464				
Cheque&Save	8.00	8.24	Qtr	Call
Over£1,000	10.00	10.38	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon, TQ9 6JS. 0803 862271				
MnyMktAcc	10.25	10.66	Qtr	Call
Lombard North Central plc 17 Bruton St. W1A 3DH. 01-409 3434				
Notice Dep	0.075	10.12	Rate	14-Day
M & G Kleinwort Benson 01-08 New London Rd. Chelmsford. 0245 51651				
HighIntChqAc	9.26	9.70	Daily	Call
Midland Bank plc PO Box 3, Sheffield. 0742 20909 Ext 8738				
High Int Chq	9.20	0.70	Qtr	Call
Save & Prosper/Robert Fleming 28 Western Rd. Romford. RM1 3LB. 0708 66966				
HghIntMktAc	8.08	0.40	Daily	Call
Premier Acc	8.88	9.40	Daily	Call
Tyndall & Co 29-33 Princess Victoria St. Bristol BS8 4BX. 0272 732241				
Demand Acc	0.35	9.67	Qtr	Call
Money Acc	0.035	0.98	Qtr	Chq.T
J. Henry Schroder Wagg & Co Ltd Enterprise House. Portsmouth. 0705 827733				
Special Acc	0.60	10.05	Mth	Call
Over £1,000	0.85	10.30	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Offered price includes all expenses except agent's commission. y Offered prices includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◎ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Chinese output rise worries cotton trade

By Anthony Moreton, Textiles Correspondent

THE EMERGENCE of China as a big seller of cotton on international markets is worrying world cotton producers.

Until recently, the Chinese were important buyers of cotton, but following a huge increase in production over the last 12-18 months they are now sellers.

According to the Brussels-based Cotton Council International Chinese production in the year 1984-5 is expected to be 25.3m bales, almost double the 14m recorded two years ago.

By comparison, U.S. output is expected to be 13.3m bales, and Russian 12.5m bales. Two years ago Russia was the world's most important producer with an output of 14.1m bales and the U.S. was in third place with 10.9m bales.

The sudden emergence in cotton of China coincides with its commissioning of the largest polyester plant in the world which has added to the fears of what its future policy may be.

A plant capable of turning out 600 tonnes of man-made fibre a day—two-thirds the total output of the Japanese industry—has been completed and is intended solely for domestic supply. If this man-made fibre replaces cotton it would allow even more of the natural fibre to appear on world markets.

World production of cotton in the 1984-85 season is expected to reach 80.7m bales according to the U.S. Department of Agriculture, a rise of just under 10 per cent on the previous season.

Among the other leading producers, both India and Pakistan (fourth and fifth in the world) hope to expand output, and both would hope to export more to earn much-needed foreign currency.

World consumption of cotton is expected to rise only marginally. However, European cotton-using industries are slowly coming out of recession and cotton's position has been helped by a consumer trend towards natural fibres and away from man-made fibres.

Stocks fall boost for copper values

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER prices rose to the highest levels for 15 months on the London Metal Exchange yesterday, following another decline in warehouse stocks, weaker sterling, and reported Chinese buying.

The higher grade cash price closed £3.5 up at £1,112 a tonne, while the three months quotation gained £5.25 to £1,132.75 exceeding this year's previous high reached at the beginning of the month.

Warehouse stocks are at the lowest level since May 1982 after further recent falls. Holding the market back is the refusal of the nearby positions in New York to rise above the psychologically important 60 cents a pound level.

The Southern Peru Copper Corporation is expected to declare force majeure on delivery contracts this week if its strike continues, and other Peruvian mineworkers are threatening to stop work on Thursday as part of a 24-hour general strike.

The intergovernmental Council of Copper Exporting Countries (Cipec) talks in Paris this week, culminating in an extraordinary ministerial meeting tomorrow to consider the appointment of a new secretary-general and review progress the proposals adopted at the annual meeting in Santiago in September.

Aluminium extended the rally started on Friday, in spite of a disappointing decline in warehouse stocks. The cash price gained £22.5 to £950.5 a tonne, encouraged by the weaker trend in sterling and the dollar price holding at $1,160 a tonne.

The decline in lead stocks was also viewed as disappointing. However, the market was firmer on news that strikers at Asarco's Glover lead smelter in Missouri will be advised by the union to vote against the latest wage offer. Meanwhile, St Joe Resources said talks to end the eight-month-old stoppage at Viburnum lead mines in Missouri will resume on December 7.

Nickel was boosted by the weaker pound and a further decline in warehouse stocks.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending Nov. 23)

Aluminium	—100	to 137,525
Copper	—3,275	to 149,475
Lead	—550	to 38,825
Nickel	—372	to 11,358
Tin	—20	to 23,205
Zinc	—375	to 34,425
	(tonnes)	
Silver	+510,000	to 52,358,000
	(ounces)	

Oil price decline continues

BY IAN HARGREAVES

OIL PRICES suffered another fall yesterday, as the New York markets resumed trading after the Thanksgiving Day holiday.

Brent blend traded around 5 cents a barrel lower and Arabian light as much as 15 cents a barrel lower.

Traders said that forward Brent cargoes for February delivery had been traded at $26.80 a barrel—almost $2 a barrel below the official Brent price of $28.65.

In New York, markets opened even lower than had been expected following the two-day holiday at the end of last week. Crude futures were 60 to 80 cents a barrel below the Wednesday night close. The August contract for light crude was quoted during the day at $26.35 a barrel.

Groundwork for an attempt by members of the Organisation of Petroleum Exporting Countries to shore up official prices is expected to begin during a meeting of the Gulf Co-operation Council, which opens today in Kuwait.

Opec ministers, however, still seem to be focusing upon plans to raise the price of heavy crudes in order to narrow differentials with light crudes—a move already being dismissed in the oil market as an inadequate response to falling prices in a weak market.

Changes in market reports

THE MARKET reports and tables on today's commodities page incorporate a number of changes designed to make the section more readable and more useful.

A new feature is the London market overview, which will appear daily, along with the existing U.S. market report.

The daily oil report has also been modified and will in future carry a slightly different range of prices and a general oil market report by Petroleum Argus, a leading oil market analyst.

Two crude oils will no longer be reported—Forties, because it is felt that the Brent Blend price is now clearly the price-setter in the North Sea market, and Bonny Light a Nigerian crude which is presently little traded on *the spot market*.

In place of Bonny Light, we will give the daily price of a heavier Nigerian crude, Forcados. Bonny Light will return to our tables if and when it resumes importance as a spot market crude.

In addition to African, North Sea and Middle East crudes, future reports will also give a price for West Texas Intermediate (WTI), the most important U.S. crude. The price quoted will be at 1 pm Eastern Standard Time on the day in question.

All oil prices noted show buy-sell spreads. Daily changes are calculated as a difference between the mid-point of each price. It can be assumed that prices shown are for cargoes deliverable in the next calendar month, unless stated otherwise.

In tonight's report, for example, the WTI price shown is for January, rather than December delivery.

In future, a number of commodities or groups of commodities will be reported weekly. Tuesdays, tea prices will be featured, and on Wednesdays specialist metals.

There are also plans for a weekly report on options trading. On Saturdays, gold coin prices will be reported. This replaces the existing daily service.

Malaysia looks forward to revitalised exchange

Wong Sulong on moves to relaunch the Kuala Lumpur futures exchange

MALAYSIA is to relaunch the Kuala Lumpur Commodity Exchange in the second quarter of next year, complete with new rules and structure, and new product lines.

Eight months after heavy defaults in palm oil futures, which forced a temporary suspension in trading, the KLCE remains in a coma, kept alive by the sedate trading around rubber futures and Government determination.

Palm oil, the foundation of the four-year-old exchange, is being traded daily at less than 20 lots of 25 tonnes each, compared with the robust 776 lots traded daily last year.

The KLCE needs at least 200 transacted lots to break even.

According to Datuk Paul Leong, Minister of Primary Industries, the Government will table a commodity trading Bill in parliament next March, aimed at revitalising the exchange.

The Bill will be based largely on recommendations in a report recently submitted to the government by Dr Mark Powers, an American commodity futures consultant, who was commissioned to advise on how to inject new life into the exchange.

A big change is likely to be the integration of the exchange and the clearing house, either through joint equity ownership, joint directorship or a joint committee.

The present system of having a separate exchange and a clearing house was on the understanding that the two organisations would be independent, acting as a check and balance.

"But during the March palm oil crisis, the KLCE and clearing house were moving in opposite directions, each trying to protect its own interests and this in part contributed to the breakdown in trading," said a senior government official.

The clearing house blames exchange members for being irresponsible and greedy in allowing excessive speculation, and the exchange blames the clearing house for triggering the crisis by refusing to guarantee deals done on the floor.

KLCE membership is also expected to be enlarged to include well-capitalised individuals, and membership is to be made transferable at a price.

This will enhance the value of membership and help ensure greater collective responsibility among members.

Foreign commodity firms are also expected to be allowed membership, without having to give up majority equity to local partners.

The present tight government regulations over the exchange are likely to be relaxed. The proposed Bill will embody the principle of "self-regulation," but the government will nevertheless be monitoring the exchange closely.

Futures trading in cocoa, and possibly tin, is expected to be introduced. Apart from being the world's biggest exporter of palm oil, rubber and tin, Malaysia is a big cocoa exporter.

Next year, it should export *100,000 tonnes of cocoa*, and a 200,000 tonne target is projected for 1990.

Dr Powers has little doubt that "there can be a very successful commodity exchange in Kuala Lumpur, centred on Malaysia's main commodities. For this to happen, you need good rules, good regulations and confidence and, I think these conditions are still possible."

He told Malaysian commodity traders recently that they have got to "roll up their sleeves and seek new business."

The traders say that unless something is done quickly to revive activity on the exchange, many of them will have to close due to mounting losses.

It is difficult to stimulate trading when commodity prices are low and there is also uncertainty arising from the unresolved court suits entered into by various commodity traders.

Dr Powers said he found there was still substantial interest in palm oil trading in Malaysia as well as other countries.

"A British trader asked me recently what's happening to the KLCE. I asked him if he would trade if problems are cleared up, and he said he would."

Datuk Leong shares the optimism. He noted the rubber market, which once centred around London and New York, has already shifted to the Far East.

He had told Malaysian traders "to look ahead," and reiterated the government's support to make the KLCE succeed.

Record October palm oil output

MALAYSIAN palm oil output in October topped the most optimistic trade forecasts at a record 433,522 tonnes, according to data published by the Malaysian Palm Oil Registration and Licensing Authority, writes John Buckley.

Peninsula Malaysia alone was reported to have produced 402,569 tonnes, 20,000 more than the previous record set in September.

The figures confirm that the pace of output has quickened over the past two months, with rises of 33 and 46 per cent respectively on 1983. The speed of the recovery is, however, posing some problems according to merchant sources.

They noted that generous rainfall earlier in the season has resulted in more outsized fruit bunches than usual, which can be difficult to harvest. Some are overripe and while this does not prevent processing it can result in high content of free fatty acid (FFA) in the palm oil products. Some mills have reported problems with FFA levels, but these are generally believed to be still within permitted limits.

Stronger demand at London tea auction

A SLIGHTLY stronger level of demand at yesterday's London tea auction was not reflected in higher indicative prices for quality teas, which remained unchanged at 330p a kg. Traders said, however, that the tone of the market was firmer.

● **BRAZIL** will not impose any limits on the volume of soyabeans or soyaproducts exported from the crop to be harvested from February, the foreign trade department of the Banco do Brasil said.

● **A FLORIDA** state judge has ordered more than 10,000 citrus trees to be burned because they were suspected of being infected with citrus canker, according to a report in the New York Times.

The trees, owned by the Crittenden Fruit Company in Lake County, were ordered to be destroyed by Judge Hale Stancil of the Marion County Circuit Court, the newspaper said.

Crittenden has 20 days to file for an appeal.

● **U.S.** roastings of green coffee were about 415,000 (60 kg) bags in the week ended November 17, including coffee used for soluble production, George Gordon Paton and Co Inc said.

This compares with 395,000 bags in the corresponding week last year.

Roastings for the year to November 17 totalled 15.125m bags, compared with 14.695m bags in the same period last year.

● **GLOBAL** interest in mohair is buoyant this year and the trend will continue next year, Mr Arthur Knight, director general of the International Mohair Association said.

South Africa, the world's largest producer, is expected to increase output to 8.2m kg in 1984-85, ending June, from 8.1m in 1983-84.

● **EEC** provisional figures for potato crops in the Community this year indicate that production will exceed last year's by 6.1m tonnes, sources close to the Commission said.

Production for 1984 is estimated at 34.051m tonnes, compared with 27.950m in 1983, they said.

LONDON MARKETS

THE FALL in the value of the £ against the $ brought a generally firmer tone on the sterling denominated London futures markets yesterday.

Cocoa and coffee prices both finished moderately higher and there were sharp gains on most of the metal markets, notably aluminium, nickel and tin.

Gold fell by $4.5 to $337 an ounce and the dollar-denominated gas oil and sugar futures prices were also lower. The London daily price for raw sugar was cut by $3.50 to $107 a tonne, close to the year's low of $105 reached in August.

On the potato futures market the November (spot) position, which expires at the end of the week, continued to move up for technical reasons.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

[illegible]

COPPER

[illegible]

ALUMINIUM

[illegible]

NICKEL

[illegible]

LEAD

[illegible]

TIN

[illegible]

ZINC

[illegible]

GOLD

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

PIGMEAT

[illegible]

POTATOES

[illegible]

INDICES

FINANCIAL TIMES

[illegible]

REUTERS

[illegible]

MOODY'S

[illegible]

DOW JONES

[illegible]

OIL

In the crude oil spot market virtually no December business was done. However, prices talked of were down 15-30c on Friday's levels for most crude oils. [illegible]

SPOT PRICES

[illegible]

GAS OIL FUTURES

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

U.S. MARKETS

Precious metals were sharply lower attracting heavy selling after currencies could not gather any support, reports Heinold Commodities. Copper prices were mostly unchanged despite heavy arbitrage selling; the bullishness was sparked by a further drawdown in [illegible]

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Jan	27.16	27.45	27.03	27.74
Feb	27.04	27.34	26.90	27.83
March	26.88	27.16	26.75	27.48
[illegible]				

NEW YORK

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	67.85	68.02	67.25	68.17
Feb	66.82	67.06	66.25	67.30
[illegible]				

OTHER MARKETS

ROTTERDAM

[illegible]

TEA AUCTION

[illegible]

PARIS

[illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to advance

The dollar continued to advance on the foreign exchanges yesterday, despite a cut of ½ per cent to 11¼ per cent in several major U.S. banks' prime lending rates. Recent intervention by the German Bundesbank, a reduction in the Federal Reserve's discount rate and last week's disappointing economic data, have so far failed to weaken the dollar. Another extremely large U.S. trade deficit for October is expected on Wednesday, at least equal to September's figure of $12.65bn, and October leading indicators are anticipated to show a fall, when published on Thursday, compared with a rise of 0.4 per cent the previous month.

The dollar has managed to shrug off all the recent signs of an economic slowdown however, boosted by the strength of Wall Street and foreign demand for U.S. equities and Treasury bonds. It is also expected in the market that European interest rates will fall in line with any cuts in U.S. rates.

After touching a peak of DM 3.0655, the dollar closed at DM 3.0610 compared with DM 3.0290 on Friday. It also rose to FFr 9.3750 from FFr 9.2925; SwFr 2.5240 from SwFr 2.5010; and Y246.10 from Y245.20.

On Bank of England figures, the dollar's index rose to 141.9 from 140.8.

STERLING — Trading range against the dollar in 1984 is 1.4965 to 1.1875. October average 1.2207. Exchange rate index fell 0.7 to 74.2, after opening at the day's high of 74.6, and falling to a low of 74.0 at 3 pm, equal to the record low touched on October 19, and compared with 79.4 six months ago.

Sterling fell below $1.20 yesterday afternoon, for the first time in more than one month. After touching a low of $1.1965-1.1975 the pound closed 1.80 cents down on the day at $1.2005-1.2015. Sterling also lost ground to Continental currencies, falling to DM 3.6775 from DM 3.6975, and FFr 11.26 from FFr 11.3125. The weak oil market continued to depress sterling, with further price cuts not ruled out following the announcement that Statoil, Norway's state oil company, had delayed fixing its December price for North Sea crude.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5535. October average 3.0676. Trade-weighted index 121.2 against 125.8 six months ago.

The D-mark lost ground to most major currencies at the Frankfurt fixing. The dollar rose to DM 3.0547 from DM 3.0140 and the Bundesbank sold $24.15m but probably was not active on the open market. Commercial demand for the U.S. currency was high, on covering of short positions, delayed from last week when it was still hoped the dollar would decline against the D-mark. A slight easing of Eurodollar interest rates was matched by lower D-mark rates, leaving interest rate differentials unchanged. Sterling was weak, falling to DM 3.6790 from DM 3.6890 at the fixing, but the Swiss franc rose to DM 1.2135 from DM 1.2093. Within the EMS the Dutch guilder weakened to DM 88.670 per 100 guilders from DM 88.675 and the Irish punt was unchanged at DM 3.1080 but other members of the system improved against the German currency.

STERLING EXCHANGE RATE INDEX

(Bank of England)

Nov 26		Previous
8.30 am	74.6	7.50
9.00 am	74.5	7.49
10.00 am	74.5	74.9
11.00 am	74.3	75.0
Noon	74.3	74.9
1.00 pm	74.3	74.9
2.00 pm	74.2	75.0
3.00 pm	74.0	74.8
4.00 pm	74.2	74.9

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.8873	−3.03	+0.33	±1.5428
Danish Krone	8.14104	8.03358	−1.32	−0.99	±1.6421
German D-Mark	2.24184	2.22904	−0.57	−0.21	±1.1463
French Franc	6.87456	6.83092	−0.63	−0.27	±1.3659
Dutch Guilder	2.52595	2.51446	−0.45	−0.09	±1.5165
Irish Punt	0.72569	0.717439	−1.16	−0.78	±1.6671
Italian Lira	1403.49	1381.70	−1.55	−1.55	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	November 26	Prev. close
£ Spot	$1.2050-1.2045	$1.2110-1.2130
1 month	0.08-0.03 pm	0.10-0.08 pm
3 months	0.07-0.04 pm	0.15-0.10 pm
12 months	0.68-0.78 dis	0.25-0.30 dis

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Nov 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1965-1.2125	1.2005-1.2015	0.71-0.08c pm	3.95	0.17-0.12 pm	3.48
Canada	1.5795-1.5960	1.5827-1.5837	0.14-0.19c dis	−1.25	0.32-0.40dis	−0.91
Nethlnd.	4.13¾-4.16¾	4.13¾-4.14¾	1½-1¼c pm	3.88	4-3¾ pm	3.74
Belgium	73.80-74.40	73.95-74.05	2-7c dis	−0.73	10-19 dis	−0.78
Denmark	13.21-13.26	13.23½-13.24½	2½-3ore dis	−2.32	6⅞-3¾ pm	−1.60
Ireland	1.1806-1.1876	1.1820-1.1830	0.35-0.51p dis	−4.36	1.18-1.42dis	−4.40

FINANCIAL FUTURES

Softer trend

Three-month sterling prices were weaker in the London International Financial Futures Exchange yesterday, reflecting an upward adjustment to cash rates on sterling's weaker trend. With the prospect of another early reduction in UK clearing bank base rates receding slightly, three-month sterling reacted less favourably than other sterling-based instruments to the pound's decline.

As an example, gilt futures finished the day little changed, despite sterling's weakness on fears of lower oil prices. This sector of the market appeared to take a longer-term view, gaining support from low inflation rate prospects and the current upsurge in U.S. bonds and equities.

U.S. Treasury bond futures opened unchanged and remained in a fairly narrow range until after the close of business in London when U.S. activity encouraged a firmer trend. In London there appeared to be little incentive to move out of the current trading range. Fears that U.S. interest rates had little further downward potential were countered by the Fed's latest discount rate cut and further reductions in prime rates, suggesting an endorsement of the recently perceived economic slowdown.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.31	90.65	90.59	90.61
March	90.30	90.37	90.27	90.35
June	89.87	89.92	89.87	89.92
Sept	89.48	89.51	89.45	89.52
Dec	89.13	89.12	89.08	89.15

Est volume 3,116 (4,027)
Previous day's open int 11,600 (11,484)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.28	90.31	90.24	90.35
March*	90.37	90.43	90.37	90.49
June*	90.23	90.30	90.22	90.35
Sept*	89.95	—	—	90.05
Dec*	89.66	—	—	89.75

Est volume 957 (653)
Previous day's open int 6,353 (6,435)
*£500,000 points of 100%.

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	117.80	117.80	117.05	115.40
March	118.15	—	—	118.45
June	110.30	—	—	116.85

Est volume 300 (162)
Previous day's open int 933 (933)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	73-06	72-13	73-03	73-06
March	72-15	72-19	72-15	72-17

Est volume 1,578 (2,574)
Previous day's open int 2,272 (1,889)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	73-13	73-13	73-03	73-06
March	72-23	72-25	72-13	72-17
June	72-02	72-03	71-23	71-28
Sept	71-14	71-15	71-08	71-10
Dec	70-30	71-00	70-24	70-06
March	70-14	70-14	70-11	70-12
June	70-02	70-02	69-29	70-00
Sept	—	—	—	—
Dec	—	—	—	69-11

MONEY MARKETS

Firmer rates reflect sterling's fall

UK interest rates were marked up in nervous trading yesterday as sterling briefly touched a record low on its index. Despite the pound's weaker move and a consequent upward correction in rates, underlying sentiment remained fairly bullish. This reflected market views that the dollar's renewed improvement flew in the face of recent economic data suggesting a weaker dollar while the prospect of weaker oil prices was not seen as imparting any lasting influence on sterling.

Nevertheless, for the time being, rates reflected short term influences and as a consequence three-month interbank money rose to 9 9/16-9 11/16 per cent and three-month eligible bank bills were paid at 9½ per cent up from 9⅜ per cent. Overnight interbank money opened at 9¼-9½ per cent and traded between 10½ per cent and 9 per cent.

The Bank of England forecast a shortage of around £450m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £732m and Exchequer transactions a further £20m. On the other hand there was a fall in the note circulation of £265m and banks brought forward balances £20m above target.

The forecast was revised to a shortage of around £350m and the Bank gave assistance in the morning of £115m. This comprised purchases of £33m of eligible bank bills in band 2 15-33 days) at 9⅜ per cent and £53m of eligible bank bills in band 3 34-63 days) at 9¼ per cent. In band 4 (64-91 days) it bought £29m of eligible bank bills at 9¼ per cent.

In the afternoon the Bank gave additional assistance of £136m, comprising purchases of £43m of eligible bank bills in band 2 at 9⅜ per cent and £31m in band 3 at 9¼ per cent. In band it bought £62m of eligible bank bills at 9¼ per cent. It also provided late assistance of around £40m, making a total of £291m.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

MONEY RATES

Nov. 26	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.40-5.55	10¾	1⅛-1⅝	6¼-5⅝	6.21875	10⅞-17¼	11.00	15¾-14
One month	5.40-5.55	10¾-13⅞	4⅛-4⅞	0⅛-5⅛	6.40625	17-17¾	10⅛-10⅛	14⅛-14⅛
Two months	5.75-5.90	10⅛-10¾	—	—	—	—	—	14¼-14⅛
Three months	5.70-5.85	10⅛-10¾	5⅛-0⅞	5⅛-5⅛	6.34375	17⅛-17½	13⅛-10¾	14⅛-14⅛
Six months	5.70-5.85	13⅛-10⅛	—	5⅛-6⅛	—	—	10⅛ 10¾	14⅛-14¾
Lombard	0.5	—	—	—	—	—	—	—
Intervention	—	11	—	5¾	—	—	—	—

Asian $ (closing rates in Singapore:) Short-term 8⅞-9 per cent; seven days 8⅞-9 per cent; one month 8⅞-9 per cent; three months 9⅛-9⅜ per cent; six months 9½-9⅝ per cent; one year 10⅛-10⅛ per cent. Long-term Eurodollars: two years 11¼-11½ per cent; three years 11⅝-11⅞ per cent; four years 11¾-12 per cent; five years 12-12¼ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on November 26, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

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INTERNATIONAL CAPITAL MARKETS

OVER-THE-COUNTER

Continued from Page 36

Stock	Sales (Hnds)	High	Low	Last	Chng	Stock	Sales (Hnds)	High	Low	Last	Chng	Stock		Sales (Hnds)	High	Low	Last	Chng
Oceaner	135	4	3¾	3¾		OrtaCo	58	8¼	5¾	6¼	+½	PearlH		276	22½	21½	21½	-½
Ocilla s	85	13½	13¼	13½	+⅛	Oshmn .20	45	15	14½	14¾	-⅛	PegGld	.08r	220	8⅝	8½	8½	-½
OffsLog	78	2¼	2½	2¼	+⅛	OtrTP 2.80	27	27½	27⅛	27¼	+¼	PenaEn	2	x109	26¼	25	25	
OgilM s .92	467	34¼	34	34½		OvrExp	6	11	10½	11	+¼	Pentar	.76	74	28⅛	27⅞	28	+⅛
OhioCa 2.68	x100	41⅝	41½	41½	-½	OwenM .35	3	13	12¾	13	+¼	PeopEx		1276	9⅝	9½	9⅝	

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 26.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	102¼	102⅝	+0½	+0⅝	11.10
Austria Rep 13⅝ 92	100	108¾	109⅞	+0⅛	+1	11.81
Bank of Tokyo 13⅝ 91	100	105⅝	106⅛	+0⅜	+1⅛	12.23
Caisse Nat Tele 13¾ 91	100	107¼	107¾	+0⅝	+1⅜	12.02
Canadian Pac 12½ 99	75	101½	102¼	+0½	+0⅝	12.17
Chevron U.S.A. 12¼ 89	500	101⅛	101½	+0¼	+1¼	11.77
Coastland Int 12¾ 88	125	101¾	102¼	+0⅛	+1⅜	11.46
Creditanstalt 13⅛ 91	100	104¼	104¾	+0½	+1⅜	12.04
Denmark Kingdom 13 91	100	103⅜	103⅞	-9¼	+0¾	12.12
Denmark Kingdom 13¼ 91	100	104	104½	+0¼	+1¼	12.27
Denmark 13⅞ 00 XW	100	†104⅝	105⅛	-0⅛	+0¾	12.11
Denmark Kingdom 14 81	100	104⅞	105⅜	+0⅝	+0⅝	12.76

	Issued	Bid	Offer	Change on day	Change on week	Yield
Eurofima 7⅞ 94	10	100⅝	100⅞	-0⅛	+0⅛	7.27
Int-Am Dev Bk 7½ 94	15	100⅝	101⅛	+0⅛	+0⅝	7.37
New Zealand 1¼ 90	15	99¼	100¼	0	+0¾	7.10
World Bank 7 94	20	98⅝	99⅛	+0¼	+0¾	1.18

Average price change On day +0⅛ on week +0⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chrysler Credit 14 91 CS	50	†100¾	101¼	-2¼	-2	13.75
Denmark Kingdom 13 88 CS	100	†100¾	101¼	+1¼	+1⅞	12.69
Fed Business 12½ 81 CS	50	†102¼	102¾	+0⅝	+0¾	11.38
Maritime 13¼ 04 CS	30	†103	103½	+1	+1	12.64
Metro Toronto 13 94 CS	50	†105⅛	105⅝	+0⅞	+1	12.04
Triaec Corp 13 88 CS	50	†100¾	101¼	+0¾	+1	12.69

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Orient Leasing 5¼ 98	8/83	2860	123½	124¾	-0⅝	5.30
Secom 3¾ 99	10/84	5434	95½	96½	-0½	4.51
Sekisui House 3 98	6/94	612	88¼	89¼	-0⅛	1.99
Sumitomo Corp 2⅞ 99	5/84	593	03¼	04¼	-1⅜	-0.90
Takeda Riken 3⅛ 2000	10/84	7863	95¼	96¼	-0¼	7.89
Tokyo Sanyo Elec 3½ 88	12/84	772	98⅞	97⅞	+0⅛	5.95
Yamanouchi Pharm'cal 4 90	10/83	1403.2	124⅞	125⅞	-7¼	-4.21
Nippon Oil Co 2¼ 92 SF	3/84	1062	109	109½	-0⅛	15.56
Nippon Shinpan Co 2 82 SF	3/84	881	†93	94	+0⅛	33.07
Settsu Paper 2¼ 82 SF	4/84	677	148⅛	148	-1½	-2.23
Asics 5 92 DM	12/83	520	102⅞	103⅞	+0⅛	26.72
Sun Realty 6¼ 92 DM	2/83	365	182¾	183¾	+0⅝	-4.46

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price, the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

World Bank C$100m issue has 99-year term

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE WORLD Bank is raising C$100m through a 99-year variable rate bond issue in the Canadian domestic market, its longest borrowing ever.

Led by Dominion Securities Pitfield, Wood Gundy and McLeod Young Weir, the issue bears interest at a margin of 45 basis points over the three-month Canadian Treasury bill rate. The coupon will be reset each month, however, to reflect the pricing of the latest bill tender.

Bankers say the World Bank has latched on to the new market that has opened up in Canada in recent months for long maturity floaters with similar pricing structures. The paper appeals to institutional investors who normally carry a portfolio of Treasury bills and want to increase their return.

The issue, which is being placed privately, is the World Bank's third floating rate borrowing. The other two were both in U.S. currency and priced off the U.S. Treasury bill rate, which the bank regards as less volatile than the more conventional London interbank offered rate for Eurocurrency deposits.

BHF Bank bond average		
Nov 26		Previous
102.480		102.358
High	1984	Low
102.490		98.056

Bank officials say the issue forms part of a variable rate borrowing programme that could total as much as $1bn in its current fiscal year to June 30, 1985. The final amount, however, will depend heavily on market conditions in both the fixed and floating rate bond sectors.

Proceeds of the issue may at some stage be swapped into fixed rate debt, but the issue is not immediately connected to a swap. Instead, the bank will have an inventory of debt that can be swapped if a suitable opportunity arises.

The international bond markets were relatively quiet yesterday with the exception of Germany, where three new issues were launched, two with equity warrants. UBS is raising DM 200m through a 3 per cent, seven-year issue priced at par by lead managers Dresdner Bank and UBS (Securities). The bonds bear warrants to purchase shares at a price of SwFr 3,650 compared with the recent market value of SwFr 3,500.

Linde, the German engineering concern, launched a DM 150m 10-year, 3½ per cent bond at par through Deutsche Bank with warrants to buy shares at DM 382 compared with yesterday's close of DM 382, while South Africa is raising DM 250m through an eight-year, 7¾ per cent issue priced at par by Deutsche Bank.

In the U.S. dollar sector, Sanwa International Finance launched a $150m, seven-year, 11⅝ per cent issue at par through Morgan Stanley. This is the largest fixed-rate issue ever for a Japanese bank and was well received despite a generally sluggish secondary market. Co-lead managers are Sanwa International, Credit Suisse First Boston, Morgan Guaranty and Kidder Peabody.

The £75m floating rate note for Korea Exchange Bank has been increased to £100m because of strong demand, especially from professional dealers attracted by the currency conversion option.

TRW sets up standby credit

BY OUR EUROMARKETS CORRESPONDENT

TRW, the Cleveland-based engineering and defence group, is arranging a $750m, eight-year standby credit from a group of 12 U.S. and six foreign banks, Mr Charles Allen, chief financial officer, said in London yesterday.

The credit will add to the group's liquidity, but "we feel that we are likely to make some acquisitions," he added. The credit will bear interest at the U.S. prime rate and the four largest participants, each with $75m, are Bank of America, Chase Manhattan, Morgan Guaranty and Texas Commerce.

The company's Y15bn Eurobond issue, announced last week, will also be used for investment in Japan, he said. The issue is one of the first Euroyen bonds to be launched by a non-Japanese corporation under the new rules liberalising the market, which come officially into effect on December 1.

"We are moving aggressively to extend our international operations, especially in the Far East," Mr Allen said.

With total debt of only $367.5m at the end of September and a debt to total capital ratio of 14.3 per cent, TRW has scope to borrow, he said. But he noted that the ratio was artificially distorted by the company's high level of deferred tax on government contracts, which counts as capital. Without that the ratio would be closer to its desired level of 30 per cent.

During the years 1984–88 TRW can generate enough cash flow from profits, depreciation, deferred taxes and debt at a 30 per cent ratio to finance all the necessary fixed and working capital additions for existing business or the natural extension of those businesses, he said.

Cash flow resources beyond the needs of existing businesses should approach nearly $1bn during the five year period. "Our task is to invest it wisely in new growth initiatives."

Mr Allen said the fourth quarter results of TRW would not be as strong as those for the first nine months when sales rose 9.1 per cent to $4.5bn and net earnings 35.8 per cent to $207.2m. But the results would still be up on the fourth quarter of last year.

The Euroyen issue, which is led by Nomura International, will bear a coupon of 7 per cent over 10-years and carry an issue price of par.

IRI seeks new terms on $500m loan

By Our Euromarkets Correspondent

ISTITUTO per la Ricostruzione Industriale (IRI), Italy's state holding company, is to renegotiate the terms of two Euromarket loans totalling $500m to achieve lower costs, according to Dr Massimo Amari, a senior executive responsible for foreign borrowing.

The two loans affected are each for $250m and were signed in April 1982 and September 1983. IRI wants the margin reduced to ⅜ per cent over Eurodollar rates and is offering to pay a ³⁄₁₆ per cent renegotiation fee.

The original terms on both loans provided for a ½ per cent margin for the first four years, rising to ⅝ per cent for the next four. IRI would not seek to extend the maturities as well, said Dr Amari.

The renegotiation has nothing to do with IRI's already reported plan to raise a loan of up to Ecu 300m, which should bear a margin of only ¼ per cent for the first two years rising to ⅜ per cent for the next eight.

Board approval for this borrowing is expected shortly, and it should hit the market soon. IRI has already started talking to prospective lead managers about the deal.

SEC to give go-ahead for EEC Yankee bond

BY MAGGIE URRY IN LONDON

THIS week the first non-dollar Yankee bond – a European currency unit 150m 12-year issue for the EEC – should get clearance from the Securities and Exchange Commission to go ahead.

It is easy to see the appeal to the EEC of raising capital in a new market and publicising the Ecu. But why should Americans want to buy it?

There is clearly some interest in the issue among U.S. investors – at least among those who have heard of the Ecu. But the big buyers can be tracked down to a couple of large pension funds both managed "in-house."

Their philosophy seems to have two main strands. First, by buying a bond denominated in a basket of currencies, they are not taking a currency speculation on, say, the D-Mark but are diversifying out of the strong dollar. Second, yields on Ecu bonds at around 10½ per cent are much closer to dollar yields than to yen or D-Mark returns.

The D-Mark accounts for 32 per cent of the Ecu, and some of the other constituents follow D-Mark movements. But yields on D-Mark bonds are nearer 7½ per cent.

The counter argument is that an investment in a basket is a diluted investment – if the D-Mark reasserts itself against the dollar, also causing strains within the European Monetary System, investors would be better off in the pure currency despite the lower yield.

If this issue does go well, it will just be the beginning of a number of Ecu deals in the U.S. domestic market. If it does not, it could signal the start of issues in single currencies rather than baskets. There is clear demand for yen Yankees too, as investors cast around for currency diversification.